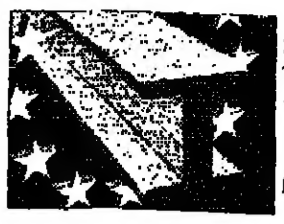

Steel

Is Europe ready to weld an accord?

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Keidanren

Japan's big business falls into step

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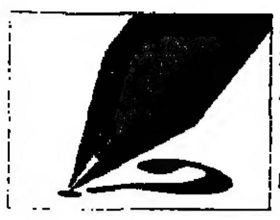

Prints charming

Paper's role in the modern office

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Lean and mean

Using Computers in Business

Survey: section III

FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY SEPTEMBER 21 1993 — D8523A

Ex-communists seek partners to govern Poland

Poland's politicians began a search for government coalition partners following Sunday's election victory by the former communist Left Democratic Alliance (SLD) which won a fifth of the votes and more than one-third of the seats in the lower house of parliament. Preliminary results put the farmers' PSL movement into second place, with a 15 per cent share of the vote. Page 16

Finnish nuclear debate: European energy industry leaders and environmentalists will be watching the Finnish parliament closely today as debate opens on whether to approve construction of a new nuclear power plant. Page 16

Warship hosts last-minute talks on Bosnia

The three Bosnian factions were locked in secretive meetings on board a British naval vessel in the Adriatic in a last-minute attempt to overcome obstacles to a peace deal due to be signed in Sarajevo today. Bosnian president Alija Izetbegovic (left) joined Croatia's president Franjo Tudjman and Bosnian Croat leader Mate Boban for talks with the international mediators. Page 3

SocGen to raise stakes: Société Générale, one of France's largest banks, plans to raise its minority stakes in Rhône-Poulenc, the chemicals company, and Assurances Générales de France, the insurance group, as part of the French government's privatisation drive. Page 17

Japan likely to cut rate: Japan's central bank is expected to cut its main lending rate by at least half a percentage point today, in an attempt to pull the economy out of recession. Page 4

Nordbanken fallout: The extent of the problems jettisoned by the Swedish commercial bank Nordbanken was made clear when Securum, which took on most of its bad debts, announced a SKr12.9bn ($1.64bn) loss in its first six months of operation. Page 17

Australian shares issue: Bank of Melbourne, the regional bank, announced a A$118m (US$77.1m) issue of convertible preference shares, which will qualify as Tier 1 capital under central bank prudential guidelines. The shares, with renounceable rights, will be issued on a one-for-12 basis at A$13 each. Page 20

Mitsubishi move: Mitsubishi Motors said it was studying the possibility of selling in Japan a new car developed by Chrysler, called the Neon, reflecting the pressure on manufacturers to help the cause of the US car industry there. Page 6

Saxony mining rights: An Anglo-American energy consortium is set to complete one of the largest, single investments in eastern Germany after premier Kurt Biedenkopf of Saxony said he would grant it mining rights. Page 6

Japanese arrest: Japan's crackdown on political corruption claimed its most famous corporate victim with the arrest of Teruzo Yoshino, chairman of Shimizu, the leading contractor, for alleged bribery of a provincial governor. Page 4

Finmeccanica float: Finmeccanica, the principal industrial arm of IRI, the Italian state holding company, has decided to float 40 per cent in the New York stock market of two its leading engineering subsidiaries. Page 18

ABB's joint venture: Asea Brown Boveri, the Swiss-Swedish engineering group, is forming a joint venture with Saturn – a Russian company best known for producing engines for the Sukhoy 27 jet – to manufacture parts for power plants. Page 6

Toshiba merger: Toshiba, the Japanese electrical group, is merging two members of its *keiretsu*, or industrial operations, amid deteriorating economic conditions and an appreciating yen. Page 20

Profit warning hits Nike: Shares in Nike fell sharply in New York after the Oregon athletic shoe and apparel manufacturer warned that earnings in the current fiscal year would fail to match 1993 levels. Page 19

Fall in car sales slows: West European new car sales have posted their smallest monthly decline this year, slipping only 1.5 per cent in August to an estimated 1.03m. Page 3

■ STOCK MARKET INDICES		
FT-SE 100:	3004.5	(-1.0)
Yield	3.9	
FT-SE Eurotrack 100	1278.06	(+13.04)
FT-A All-Share	1493.72	(-0.0%)
Nikkei	20,288.03	(-125.01)
New York: lunchtime		
Dow Jones Ind Ave	3612.41	(-0.84)
S&P Composite	459.15	(+0.32)

■ US LUNCHTIME RATES	
Federal Funds:	$3\frac{1}{16}$%
3-mo Treas Bills: Yld	3.002%
Long Bond	$102\frac{23}{32}$
Yield	6.047%

■ LONDON MONEY		
3-mo Interbank	$5\frac{15}{32}$%	($5\frac{15}{32}$%)
Liffe long gilt future:	Sep $112\frac{1}{8}$	(Sep$112\frac{13}{32}$)

■ NORTH SEA OIL (Argus)		
Brent 15-day (Nov)	$16.51	(16.14)

■ Gold		
New York Comex (Dec)	$355.5	(352.8)
London	$353.8	(352.0)

■ STERLING		
New York lunchtime:		
$	1.533	
London:		
$	1.532	(1.5345)
DM	2.47	(same)
FFr	8.6225	(8.62)
SFr	2.15	(same)
Y	159.75	(160.0)
£ Index	80.8	(80.7)

■ DOLLAR		
New York lunchtime:		
DM	1.6105	
FFr	5.622	
SFr	1.4005	
Y	104.35	
London:		
DM	1.6125	(1.6095)
FFr	5.6275	(5.6175)
SFr	1.4035	(1.4005)
Y	104.25	(104.35)
$ Index	64.3	(64.2)
Tokyo close Y 104.20		

						S.Arabia	SR11
Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	Singapore	S$4.10
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Slovak Rp	KSL45
Belgium	BFr65	Hungary	Ft 185	Neth	Fl 3.75	Slovenia	SLT220
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	South Africa	R12.00
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	Spain	Pta210
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Sweden	SKr15
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Switz	SFr3.20
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Syria	S£50.00
Egypt	E£4.50	Kuwait	Fils.600	Poland	Zl22,000	Tunisia	Din1.250
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Turkey	L8000
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	UAE	Dh11.00

BNP eyes European bank links

Privatisation candidate may use Dresdner alliance to expand retail activities in the EC

By Alice Rawsthorn and Peter Martin in Paris

BANQUE Nationale de Paris, the first candidate for privatisation by France's centre-right government, may extend its alliance with Dresdner, the German bank with which it has a cross-shareholding agreement, to include links with other European banks.

Mr Michel Pébereau, chairman of BNP, said yesterday before the launch of the bank's privatisation marketing campaign that BNP and Dresdner might consider forging commercial links with other European banks to expand their retail banking activities into other areas of the European Community.

"The agreement with Dresdner means that BNP's French clients can use the Dresdner network in Germany and their German clients can use our branches in France", Mr Pébereau said. "Eventually we will need to offer a similar facility in other countries. It is possible that together we might link up with banks in Italy or the UK."

Mr Pébereau emphasised that future alliances would be devised on a purely commercial basis and, unlike the BNP/Dresdner deal, would not involve equity participation. "These agreements will be co-operative commercial ventures," he said. "They will not involve an exchange of equity".

The agreement between BNP and Dresdner, one of a number of cross-border ventures recently concluded in European financial services, enables each bank to take up to 10 per cent of the other's equity.

Shares will not be exchanged until after BNP's privatisation, which is scheduled for completion by December 20. It also awaits authorisation by the European Commission.

Mr Pébereau said BNP and Dresdner had not yet begun negotiations with any prospective European partners. He added that the French and German banks would wait until after BNP's privatisation and EC authorisation before deciding how to orchestrate their future expansion in Europe.

He described the Dresdner alliance as central to BNP's strategy in retail banking and in international banking for companies.

Mr Pébereau said BNP planned to concentrate on internal growth to develop its international banking operations, but it might consider strategic acquisitions in specific sectors.

He and the BNP board are beginning a series of marketing presentations this week in preparation for the bank's sale to the private sector. BNP is under considerable financial pressure because of the French recession.

BNP recently reported a 61 per cent fall in interim net profits from FFr1.33bn in the first half of 1992 to FFr522m ($91.6m) in the same period of this year, when it made net banking income of FFr21.23bn. Mr Pébereau said that 1993 would be a difficult year and that 1994 would be "difficult too" with "the real recovery" coming in 1995.

Lex, Page 16

Details, Page 17

Société Générale to increase company stakes, Page 17

Balladur tells state companies to curb job cuts

By John Ridding in Paris

MR Edouard Balladur, the French prime minister, yesterday ordered state-owned companies to minimise job cuts and demanded that they review redundancy plans in the light of a five-year jobs package to be debated in parliament later this month.

The plan urges employers to use short-time working, part-time employment and early retirement as ways of avoiding sacking staff. Mr Nicolas Sarkozy, the government spokesman, said public companies' redundancy plans would be rejected by the state if they failed to use such measures as fully as possible.

Yesterday's statement followed a meeting of several ministers, chaired by Mr Balladur, called in response to a wave of public sector redundancy plans. On one day last week, dubbed Black Wednesday by the French press, state-owned companies announced about 13,000 job cuts.

The redundancy plans – which included large job cuts at Air France, Bull, the computer manufacturer, Thomson CSF, the defence electronics group, and Snecma, the air engine manufacturer – were a serious blow to Mr Balladur, who has said that curbing the rise in unemployment is his leading priority.

The unemployment rate, which stands at 11.7 per cent and which is forecast to exceed 12 per cent by the end of the year, is regarded as the government's biggest political liability. Last week's job losses sparked an angry reaction from unions who demanded a six-month employment freeze at public companies.

Mr Balladur's orders met with a favourable response from Thomson-CSF. The electronics group said it had started negotiations with unions yesterday to propose a cut in working hours in exchange for a cut in redundancies. The company said it might be possible to avoid all the planned 1,600 job cuts due by the end of next year if the unions accepted its plans.

Economists were sceptical about the impact of Mr Balladur's statement. They said many state-owned groups had already received the go-ahead for job cutting plans. The government's budget deficit, targeted at FFr317bn ($55.6bn) this year, reduced its ability to support state industry and necessitated economy measures at state companies.

A spokesman in Mr Balladur's office said the prime minister's stance was aimed principally at public sector employers. But private sector companies were also urged to implement redundancies only as a last resort.

The spokesman said the government might consider the limiting state aid for job reduction packages where private companies had not exhausted alternative measures.

Most French oppose Maastricht, Page 3

Associated Press

Yassir Arafat is greeted by King Hussein in Amman where he will have talks with Jordanian officials

US calls Mideast aid meeting

By George Graham in Washington

THE US yesterday called a conference of potential donors to drum up aid in support of the peace agreement between Israel and the Palestine Liberation Organisation.

Mr Warren Christopher, the US secretary of state, said that he and Mr Lloyd Bentsen, the Treasury secretary, would convene a donors' conference to help co-ordinate aid for Palestinian self-rule in the Gaza strip and Jericho.

"Today on behalf of President Clinton I announce our intention to lead a wide-ranging effort not simply to give peace a chance but to ensure that it will not fail," Mr Christopher said in a speech at New York's Columbia University.

Delegates from Israel, the PLO and Arab countries are meeting this week at the World Bank in Washington to discuss investment needs in the area.

Mr Christopher did not mention a date for the conference in his speech. He said the World Bank would play "a major co-ordinating role" in helping deliver assistance to implement the plan for Palestinian self-rule in the Gaza Strip and West Bank, occupied by Israel since the 1967 war

Continued on Page 16

Assad cool on deal with Israel; Arafat in Jordan, Page 4

German coalition meets after fall in vote

By Quentin Peel in Bonn

CHANCELLOR Helmut Kohl yesterday chaired a crisis meeting of leaders of Germany's three coalition parties in a bid to paper over cracks in his ruling alliance. The parties suffered a decisive vote of no confidence in local elections in Hamburg on Sunday.

Both Mr Kohl's Christian Democratic Union and the opposition Social Democratic party, admitted that a big protest vote in Hamburg, in favour of the Greens, two extreme rightwing parties and an anti-party alliance, was a severe warning for the traditional political establishment.

The result was worse for Mr Kohl's CDU, with a slump in support from 35 per cent in 1991 to 25 per cent on Sunday, in spite of a swing against the ruling SPD government which saw it lose its overall majority in the city. SPD support fell from 48 per cent to 40.4 per cent.

Mr Peter Hintze, general secretary of the CDU, warned that the splintering of support for the major parties would undermine future coalition government, making it increasingly difficult to form "majorities capable of action".

The major parties must tackle the fundamental causes of protest, he said, including rising crime, unemployment, and the lack of cheap housing.

The meeting yesterday did produce agreement on a new social insurance plan to pay for nursing care for the elderly. Mr Klaus Kinkel, foreign minister and leader of the liberal Free Democratic party, which lost all its seats in the Hamburg city parliament, promised that he would not allow the coalition to collapse over the issue.

Mr Rudolf Scharping, leader of the SPD, said the continuing rise of the extreme rightwing parties – although they failed to win any seats they gained a combined 7.6 per cent of the vote in Hamburg – was "alarming".

The Greens were the big winners in the city election, almost doubling their vote from 7.1 to 13.5 per cent, followed by the Statt Partei – literally the

Continued on Page 16

Editorial Comment, Page 15

EC battles to save Gatt after food import objections

By David Gardner and Lionel Barber in Brussels

THE European Community was last night desperately trying to head off a crisis over the Gatt world trade talks amid a warning from the UK that failure to reach a deal would bring normal EC business to a halt.

Germany warned of "catastrophic dangers" to its economy if France's objections to the Blair House agreement between the EC and the US on limiting subsidised farm trade wreck chances of concluding the Uruguay Round by its December 15 deadline.

Mr Douglas Hurd, foreign secretary, said the EC would be paralysed by recriminations if the Uruguay Round failed. "It's not the case that in causing a crisis in Gatt we can avoid an internal EC crisis," he said. "I cannot conceive how the EC will continue with the normal transaction of business if it were seen as causing the collapse of the Uruguay Round."

As 35 EC foreign, agriculture and trade ministers met in Brussels, there were nevertheless signs of an emerging consensus in favour of giving the European Commission authority to test if the US is ready to accept an amplification of Blair House to accommodate French concerns over limits on its lucrative food exports.

Senior Commission officials, and others who negotiated Blair House last November, said efforts to reach a compromise would centre on finding a formula to delay cuts in subsidised food exports so as to run down EC food mountains. "If the Americans want to be helpful, that is an area in which we can help resolve this," one Commission negotiator said.

Sir Leon Brittan, chief EC trade negotiator, has written to Washington setting out concerns. But he warned ministers of the danger that the US would in turn exact new concessions in other areas of the Gatt talks.

France's latest outline of its demands went further, covering adequate protection for the EC against food imports, extension of the so-called "peace clause" on EC-US farm trade disputes, and a provision indexing the EC's share of international markets to their future growth, particularly in Asia. "What is at stake is the basic concept of Europe and solidarity between us," said Mr Alan Juppé, French foreign minister.

UK officials would not be drawn on whether Mr Hurd's comments amounted to a UK threat to boycott EC initiatives. French officials seemed surprised by the recent hardening of Britain's position, which other member states and the Commission warned could make it more difficult to paper over differences.

Mr Klaus Kinkel, the German foreign minister and Bonn's foremost defender of Gatt, said the French were "playing for the highest stakes," but added that "we don't want to have a clash."

Sir Leon pleaded to ministers not to tie his hands in the complex negotiations running up to the Gatt mid-December deadline. He is due to meet Mr Mickey Kantor, US trade representative, on September 27.

There was broad agreement last night that France would not force a vote on Blair House, or seek to saddle the Commission with a formal mandate to renegotiate Blair House.

EC's row over farm trade, Page 6

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NEWS: EUROPE

UK warship hosts fresh Bosnia talks

By Gillian Tett in London and Laura Silber in Pale, Bosnia

THE THREE Bosnian factions were yesterday locked in secretive meetings on board a British naval vessel, as international mediators made a last-minute attempt to overcome obstacles to a Bosnian peace deal, due to be signed in Sarajevo today.

Representatives from all three sides, including Bosnian President Alija Izetbegovic, Croatian President Franjo Tudjman and the Bosnian Croat leader, Mr Mate Boban, held talks with Lord Owen and Mr Theovald Stoltenberg, the international mediators, on board the aircraft carrier, HMS Invincible, in the Adriatic sea.

Bosnian Serb officials in Pale, the capital of the self-styled Bosnian Serb state, yesterday said that the Serb side was represented by Mr Radovan Karadzic, the Bosnian Serb leader.

The meeting, said to have beencalled at the mediators' request, appeared to mark a final attempt to overcome remaining territorial disputes, in particular the Bosnian governments' demand for access to the Adriatic.

The three sides are expected to meet in Sarajevo today to sign a broad agreement which would turn Bosnia into a loose union of three ethnic mini-states. However, after all three sides indicated at the weekend they remained opposed to any fresh territorial concessions, Lord Owen yesterday warned that the meeting was still not definite. The mediators now appear to be pushing the three sides to agree to an outline agreement, leaving some of the territorial details to be decided at a later date.

But in spite of the sudden ceasefire agreements conducted between the Bosnian government and their Serb and Croat counterparts last week, the sticking points to a peace agreement remain the Bosnian government's demand for further land and access to the sea.

Diplomats yesterday said the mediators' decision to call the meeting on the ship appeared to be an attempt to escape the media spotlight and increase pressure on the three sides.

"The thing about meeting on a ship is that you can't suddenly storm out," commented one British official yesterday.

Fighting was reported to be continuing between Moslem and Croat forces in parts of central Bosnia in defiance of the ceasefire agreed last week.

A Bosnian Croat said Moslem forces had launched a three-pronged attack on the city of Mostar. UN peacekeepers in central Bosnia said that earlier fighting between Moslem and Croat forces around Vitez and Gornji Vakuf appeared to be dying down.

● Russia may be unwilling to send extra troops to help enforce a peace agreement in Bosnia, General Pavel Grachev, its defence minister, has indicated, writes David White in Moscow.

Mr Malcolm Rifkind, British defence secretary, said General Grachev made clear in talks yesterday that he was not contemplating an increase.

The National Bank of Yugoslavia is to issue a 10bn dinar note to replace currency made almost worthless by a devastating daily inflation rate of 20 per cent, Reuter reports from Belgrade.

The new white, black and red note will be issued today, the Belgrade-based news agency Tanjug quoted central bank officials as saying. It is worth $6 on Belgrade's foreign currency black market.

This will be the third new banknote issued in a month, each with more and more zeroes to it. In mid-August the bank issued a 500m dinar note then worth $3.50 and now worth 30 US cents.

Ex-communist who won over the Poles

By Tony Robinson in Warsaw

MR Alexander Kwasniewski, the leader of Poland's neo-communist Left Democratic Alliance (SLD), is the kind of man you probably would buy a used car from.

But it clearly takes more than a smooth line in political patter to persuade more than 3m Poles to cast their vote for a spruced up model which was effectively scrapped in elections only four years ago.

At that time Mr Kwasniewski was an aide to Mr Mieczyslaw Rakowski, Poland's last communist prime minister. He played an important role in hammering out the details of the "round table agreement" with Solidarity which led to the partially free elections in June 1989.

Designed to ensure continuing communist domination of the lower house of parliament, the agreement blew up in the communists' face when Solidarity made a clean sweep of all the seats in the senate and the limited number of seats allocated to non-communist parties in the lower house.

But yesterday Mr Kwasniewski, 39 years old, was busy putting out feelers for a grand coalition. If it comes off the SLD, by far the largest party of the new parliament, would sit in alliance with at least one of the three Solidarity-era parties which managed to pass over the 5 per cent entry hurdle. That would seal an extraordinary reversal of political fates in only four years. Even Mr Kwasniewski, whose reputation for strategic smartness and political class soared during the election campaign, has been taken by surprise.

Over a press dinner in one of Warsaw's smartest restaurants last week he explained how the most optimistic of the young ex-communists who put together the SLD from the ruins of the defunct communist party in 1990 thought it would be 10 or 15 years before it gained acceptance as a mainstream, European, social democratic party.

But after a spell in a coalition, Mr Kwasniewski, like Willy Brandt of Germany's social democrats, or more appropriately Spain's Felipe González, could take his SLD into power across the generation gap which Solidarity, with its ageing, squabbling leaders, failed to achieve.

Polish elections

Lower house: 460 seats

Results forecast*

Party	% of vote**	Seats	1991 vote and seats
Left Democratic Alliance (SLD)	20.6	173	12.0%/58
Polish Peasants Party (PSL)	15.2	128	8.7%/49
Democratic Union (UD)	10.5	69	12.3%/57
Union of Labour (UP)	7.3	42	5.0%/28
Confederation for an Independent Poland (KPN)	5.7	24	7.5%/46
Non-party Movement for Supporting Reform (BBWR)	5.4	20	***

*Partial official results and Polish television forecasts. **Parties with less than 5 per cent of the vote cannot hold seats. ***Party did not exist.

Warsaw sends reform warning eastwards

The Polish economy had hitherto been a source of encouragement, writes **Anthony Robinson**

THE ELECTORAL victory of the two political parties with their roots in Poland's communist past imparts a new and negative spin to the country's track record as the harbinger of change in a volatile region.

It was Polish economists, led by Mr Leszek Balcerowicz, working closely with US academic advisers such as Harvard professor Jeffrey Sachs, who pioneered "shock therapy" economic reforms in eastern Europe four years ago.

After taking the medicine, Poland became the first country to plunge into recession in 1990 and the first to resume economic growth two years later. Now, as the election results have made clear, Poles have become the first to register a strong political protest against the social and economic costs of the painful transition to a market economy.

The resurgence of Poland's neo-communists could change not only the political map of Poland but send shudders throughout the former Soviet empire.

In Hungary, the conservative coalition, which has introduced market reforms that have attracted more than $5bn (£3.2bn) in foreign investment, faces a similar backlash. In Budapest, the xenophobic nationalist right, led by Mr Isvan Csurka, has been making the headlines. But the reformed communists, led by Mr Gulya Horn, have also been vying to take votes away from the centre parties, including the youthful Fidesz party.

Reuter

Leader of the ex-communist SLD Alexander Kwasniewski (right) and deputy Izabela Sierakowska

Only the Czech republic has been able to produce a leader with the tenacity to argue the pro-market reform case tirelessly and clearly, both in speeches and through his weekly column in a popular newspaper: Mr Vaclav Klaus, a passionate advocate of privatisation.

The promise of Poland's neo-communists to square the circle of reform without pain is clearly gaining credence. Lithunia, Poland's north-eastern neighbour, sent out the first warning signal six months ago when this former Soviet Baltic state re-elected the new-style communists to power.

Until now, the success of Poland's economic reforms, measured by well-stocked shops, rapidly rising industrial growth and labour productivity, a growing inflow of foreign capital, declining inflation and a successful switch to western markets after the collapse of Comecon, has been a great source of encouragement to the embattled pro-market reformers in the former Soviet states.

The positive results of Poland's adherance to tight spending and budget deficit targets, imposed by the International Monetary Fund, helped the small band of Russian reform economists to persuade President Boris Yeltsin to support their efforts to stabilise the economy.

The Polish experience thus gave substance to the intellectual arguments of those in Russia who favoured rapid economic reform.

It helped them overcome the siren songs of powerful men from the factory *nomenklatura* elite who argued that it was impossible for the heavily-militarised Soviet command economy to be transformed into a functioning market economy in a hurry.

The trump card of the go-slow brigade was, and remains, the argument that the social costs of high unemployment and declining living standards would make such change politically impossible and raise the risk of a possibly bloody revolt.

This argument echoed through the 10-week-long Polish election campaign with subtle but important differences. Mr Alexander Kwasniewski, the 39-year-old leader of Poland's Left Democratic Alliance (SLD), does not argue against the basic thrust of the economic reform strategy introduced by Mr Balcerowicz, nor does he ignore the benefits of IMF and World Bank supervision or the need to continue privatisation.

Under its pragmatic new leaders, the SLD presented itself to the electorate as the party best able to guarantee the continuation of economic reform. This could only continue, the party's young leaders argued, if the economic and social costs borne by the poorest sections of the community were alleviated.

But to deliver the goods, Mr Kwasniewski believes that it will take at least four more years of market-orientated reform under a stable government. Without any false modesty he is putting his party forward as the guarantor of that stability.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented by Edward Hugo, Managing Director. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

NEWS: EUROPE

Poll shows majority would now vote against treaty

French oppose Maastricht

By David Buchan in Paris

A MAJORITY of French – 54 per cent – would now vote against the Maastricht treaty, according to an opinion poll published yesterday, exactly one year after the referendum that gave the European union pact a 1.1 per cent margin of approval.

The Sofres poll, conducted for Le Figaro newspaper and Europe 1 radio station, has sombre implications for France's ruling coalition parties and their unity in European and presidential elections in the next two years.

The survey shows the French split, on Europe as on other issues like unemployment, between what most of them expect to happen and what most of them want to happen. Thus, 79 per cent expect their government will press on with European construction. But the share of those who believe this will benefit France has dropped over the past year from 41 to 33 per cent.

A plurality – 46 per cent – want "a pause" in European integration, a sentiment related probably to the fact that 42 per cent say they would prefer the franc to float free of the D-Mark in order to reflate the economy, as opposed to 39 per cent whose priority is still a strong franc as France's passport to European monetary union.

The poll highlights the problem for Mr Edouard Balladur, the pro-European premier, leading a coalition of his own RPR Gaullist party which remains almost two-thirds against Maastricht and of the centre-right UDF whose majority still backs Maastricht. If, in next June's European parliament elections, this division is reflected in two separate electoral lists (roughly along RPR and UDF lines), it may tear Mr Balladur's government apart.

So far, the polls only show disenchantment with certain Balladur policies, not with Mr Balladur himself. But France's increased discontent with Europe is likely to further the chances of Mr Jacques Chirac, the Euro-sceptical leader of the RPR, securing not only his party's presidential nomination, but also the presidential election itself in 1995.

Works council flexibility urged

By David Goodhart, Labour Editor

THE European employers body, Unice, yesterday accepted the inevitability of European Community legislation on employee consultation and pressed for greater flexibility than contained in the existing works council directive.

The works councils for employee consultation could be one of the first directives to be pushed through the social chapter mechanism of the Maastricht treaty which excludes the UK.

The directive will require up to 1,200 multinationals operating in the EC to convene works councils at least once a year.

Yesterday Mr Zygmunt Tyszkiewicz, secretary general of Unice, said the social partners – unions and employers – should work together with the EC Commission to find an acceptable alternative to the current draft directive. He said: "The directive as it stands will not achieve its stated objective, which is to improve the information and consultation of workers. However Unice is ready to sit down with the Commission and European unions to develop a positive and constructive procedure that is acceptable to all parties."

Unice, including the Confederation of British Industry, is now ready to accept some legal underpinning to achieve the ends of European-wide employee consultation but insists on greater flexibility with regard to the means.

At the same Brussels meeting the multinational business forum launched a report, "Thriving on diversity", which seeks to illustrate benefits of a range of consultation methods. The report argues there is little difference in the provision of strategic and financial data between countries such as Germany where there are extensive rights to employee information and countries such as the UK where there are no legal provisions.

Drop in car sales slows

By Kevin Done, Motor Industry Correspondent

WEST European new car sales have posted their smallest monthly decline this year, slipping only 1.5 per cent in August to an estimated 1.03m.

However, the European new car market is distorted in August by the UK, where 20 to 25 per cent of annual new car registrations take place in the period. The UK is also the only market in west Europe where sales have been growing this year, albeit from a depressed level.

UK new car sales in the month were 17.8 per cent higher than a year ago at 440,000, and accounted for 43 per cent of the west European market.

Excluding the UK, new car sales in west Europe were still 12.2 per cent lower than a year ago. The rate of decline moderated in some markets, notably in Germany and Spain, while sales were higher in the Netherlands, Norway, Denmark and Austria.

New car sales in August were lower than a year ago in 12 of 17 markets across west Europe, while in the first eight months sales were lower than a year ago in 16 of 17 markets, with only the UK achieving any growth with an increase of 11.8 per cent. Overall, in the first eight months sales fell by 15.9 per cent to 8.03m from 9.55m in the corresponding period a year ago, according to industry estimates.

August sales in Germany fell year-on-year by 10.3 per cent.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-August 1993

	Volume (Units)	Volume Change(%)	Share (%) Jan-Aug 93	Share (%) Jan-Aug 92
TOTAL MARKET	8,035,000	-15.9	100.0	100.0
MANUFACTURERS:				
Volkswagen* (incl Audi, SEAT & Skoda)	1,303,000	-21.3	16.2	17.3
General Motors (Opel/Vauxhall, US# & Saab)	1,041,000	-11.5	13.0	12.3
– Opel/Vauxhall	1,004,000	-10.7	12.5	11.8
– Saab**	27,000	-27.6	0.3	0.4
PSA Peugeot Citroën	975,000	-15.3	12.1	12.1
Renault-Volvo ††	964,000	-16.1	12.0	12.0
– Renault	847,000	-15.5	10.5	10.5
– Volvo	117,000	-20.4	1.5	1.5
Ford (Europe, US# & Jaguar)	952,000	-15.1	11.8	11.7
– Ford Europe	943,000	-15.2	11.7	11.6
– Jaguar	8,000	+0.1	0.1	0.1
Fiat (incl Lancia, Alfa Romeo, Ferrari Innocenti, Maserati)	893,000	-22.3	11.1	12.0
Nissan	286,000	-7.8	3.6	3.2
BMW	262,000	-17.3	3.3	3.3
Rover†	250,000	+12.8	3.1	2.3
Toyota	226,000	-1.0	2.8	2.4
Mercedes-Benz	226,000	-23.2	2.8	3.1
Mazda	143,000	-26.9	1.8	2.0
Honda†	113,000	-12.4	1.4	1.3
Mitsubishi	102,000	-12.0	1.3	1.2
Total Japanese	1,002,000	-11.2	12.5	11.8
MARKETS:				
Germany	2,223,000	-19.8	27.7	29.0
Italy	1,317,000	-23.1	16.4	17.9
United Kingdom	1,315,000	+11.8	16.4	12.3
France	1,131,000	-17.3	14.1	14.3
Spain	515,000	-26.0	6.4	7.3

#Cars imported from US and sold in western Europe.
*VW holds 31 per cent and management control of Skoda.
**GM holds 50 per cent and management control of Saab Automobile.
†Honda holds a 20 per cent stake in Rover vehicle operations.
††Renault and Volvo to merge in January 1994. Presently linked through minority cross-shareholdings.
Source : industry estimates

Kohl and Çiller set up talks

By Ariane Genillard in Bonn

GERMAN Chancellor Helmut Kohl and Turkish premier Tansu Çiller yesterday agreed to set up a committee to discuss neo-Nazi attacks and citizenship rights for Germany's large Turkish minority.

The Turkish government is known to favour the introduction of dual citizenship for the 1.8m Turks permanently residing in the country. But Mr Kohl's Christian Democratic Union (CDU), together with its conservative Bavarian ally, the Christian Social Union (CSU), want instead to slightly ease access to German citizenship, which Turks can only obtain if they give up their own passports.

Local Turkish organisations yesterday said the committee would probably do little to help the integration of Turks who have been regular targets of racist violence.

Ms Çiller is expected to further discuss ways in which Turks in Germany could receive political rights as she meets Mr Klaus Kinkel, the foreign minister, today and a member of the Free Democrats (FDP). The Turkish premier is also due to meet business leaders.

Spain cuts reserve cash requirement

By Tom Burns in Madrid

THE BANK of Spain yesterday cut the reserve cash requirement it imposes on the banking sector from 3 per cent to 2 per cent, thus freeing some Pta440bn (£2.2bn) of deposits that had been trapped, interest free, with the bank authority.

The cut , which brings the domestic banking sector closer in line with Europe, follows a half a point cut to 10 per cent in the bank's key intervention rate at the begining of this month. It should enable the private banks and saving institutions to lower the cost of borrowing.

It will also reduce pressure on the interbank market where the bank has been forced to increase sharply the volume of its routine financing to credit institutions. Liquidity on the interbank market has been very narrow. Currency uncertainties have left the institutions short of pesetas and the strong demand for funding has hampered the central bank's monetary policy.

Potential income from the funds freed by the latest cut represents nearly 4 per cent of the total pre-tax profit of domestic banks last year. However the impact of the cut on this year's bank results should be more muted because the sector, although under pressure to increase its lending, is nervous of increasing bad debts.

"The gain for the banks is that they will be able to use the new funds to lower their lending while keeping their balance sheets undamaged," said Mr José Manuel Arrojo, banking analyst of the Madrid securities house, AB Asesores.

Several of Spain's financial institutions have in recent weeks cut their preferential lending rates to below 10 per cent but they have maintained credit for all but top clients at a minimum of about 16.5 per cent. In August non-performing loans grew by some Pta35bn to account for 7.4 per cent of all loan portfolios.

Oslo may have to vote again

VOTERS in Oslo may have to go to the polls again after a computer failure in last week's general election, Reuter reports from Oslo.

But officials said that any rerun was unlikely to weaken the ruling Labour Party's grip on power.

Oslo's electoral committee said a study of the September 13 election, when the computer crashed after an overload, turned up irregularities which meant it could not recommend that parliament accept the result of the vote in Oslo.

"We don't think the result and the mistakes which have been discovered affect the share-out of seats (in parliament), but there were so many mistakes that it makes it difficult to approve," Oslo's mayor, Ms Ann-Marit Saeboenes, said. A final decision on whether to rerun the election in Oslo, which elects 15 of 165 seats in parliament, will be taken by the new parliament on October 8.

Italy party accused over tax

By Robert Graham in Rome

ITALY'S Party of the Democratic Left (PDS) has been embarrassed by revelations that it failed to declare some L400m ($260,000) to the tax authorities on a property deal.

The discovery led to the imprisonment over the weekend of Mr Marco Fredda, in charge of property at the PDS, and Mr Primo Greganti, a former official of the party when it was the Italian Communist Party (PCI).

This is the first time the PDS is accused of being involved in illicit party financing. PDS officials have insisted no illegal party financing is at stake like that of the other main parties.

However, the admission the party had knowingly kept funds which should have been declared to the tax authorities has shown the PDS as anxious as the rest to maximise its revenues.

Japan likely to cut interest rates from 2.5% low

By William Dawkins in Tokyo and George Graham in Washington

THE JAPANESE central bank is expected to cut its main lending rate by at least half a percentage point today, in the latest attempt to pull the economy out of recession.

The cut in the official discount rate, from the already record low of 2.5 per cent which has held for the past eight months, was predicted yesterday by NHK public television, a normally reliable forecaster of official rate changes.

Bank of Japan officials refused to comment. But a senior government official said he would not be surprised if the long-expected rate cut happened today, assuming the central bank followed its usual line of timing rate changes for maximum psychological impact.

Domestic and international pressure for a cut in interest rates has been rising in line with a stream of gloomy economic indicators. Gross national product fell an annualised 2 per cent in the three months to June and is probably declining in the current quarter, so putting Japan into recession.

If the central bank does move as expected, this should relieve some of the disappointment that met a government pump-priming package of deregulation, measures to pass on the benefits of the high yen to consumers and Y6,150bn (£38bn) of public spending announced last week. It included neither a rate cut nor reductions in income tax, as demanded by Japanese industry. Possible tax cuts, a politically divisive issue, are being studied by a government panel.

A senior International Monetary Fund official welcomed the package but said recent economic data were so disappointing that more budgetary and monetary action could well be needed. A "strong cocktail" of fiscal and monetary stimulus should be considered, he said. The US has also urged Japan to make income tax cuts, say Japanese officials.

Yet the Bank of Japan has been cautious about cutting rates partly because it wants to avoid repeating the liquidity-fed rise in asset prices that preceded the downturn and partly because it believes industry needs to cut more capacity.

Nevertheless, the bank cut the official discount rate three times in 1991, twice last year and once last February, from 3.25 per cent to 2.5 per cent.

A rate cut is like to have a psychological impact and help restrain the yen's rise, but will not bring a marked cut in companies' borrowing costs, said analysts. If the discount rate does come down today, commercial banks are expected to drop their prime rates on October 1, in line with previous practice. However, a decreasing number of banks maintain a tight link between prime and actual lending rates because of the pressure on margins from the need for heavy bad debt provisions.

Emiko Terazono adds: Japan's residential and commercial land prices have declined for a second consecutive year, the longest fall on record.

According to a land price survey released by the National Land Agency, residential land prices fell by an average 3.6 per cent as of July 1 from a year before, while commercial areas saw a 7.7 per cent decline. The survey, which started in 1975, is likely to prompt an early lifting of the government's "land price monitoring system", aimed to curb price increases in designated areas.

An easing of the monitoring system was included in the coalition government's emergency economic package announced last Thursday. While land prices, especially in cities, remain high relative to income levels for the ordinary Japanese, a further fall could hurt the country's banks, which hold land as collateral for bad loans.

Residential land in the Tokyo area declined 12.3 per cent after a 12.7 per cent fall last year. Tokyo's central 23 wards saw drops of 20 per cent, with Chuo ward, the business centre, registering a 37.9 per cent decline.

Meanwhile confidence among Japanese consumers declined sharply in August, says Dentsu, the world's largest advertising and marketing agency.

According to a survey, the higher yen, cold summer weather, and increasing reports of corporate restructurings have depressed consumers' outlook on the economy.

Last month 37.4 per cent of those surveyed thought the economy would worsen, a sharp jump from 21.8 per cent in July and 21.1 per cent in June. Over 54 per cent said they would curb spending against 43.2 per cent in July.

Iron triangle, Page 14

Leading contractor held in bribes probe

By Robert Thomson in Tokyo

JAPAN'S crackdown on political corruption claimed its most famous corporate victim last night as prosecutors arrested Mr Teruzo Yoshino, chairman of Shimizu, the leading Japanese contractor, for the alleged bribery of a provincial governor.

Mr Yoshino, aged 75, denies he provided funds to Mr Fujio Takeuchi, the former governor of Ibaraki prefecture north-east of Tokyo, in the hope that the company would win contracts for a range of planned public works projects.

"No, absolutely not," Mr Yoshino, whose home was raided by investigators, said earlier yesterday. "I would never do anything as silly as attempting to bribe someone."

However, 15 other construction company employees have been arrested in the past year for illegally providing money to local government officials, including Mr Takeuchi who is already charged with illegally receiving Y55m (£345,000) from the industry.

The arrest last night follows the questioning of Mr Takeuchi and, according to the prosecutors, allegedly arises from Y10m that he claims to have received from Mr Yoshino in December last year.

On Sunday Japan and the US concluded a round of construction market negotiations at which Tokyo was urged to ensure that foreign companies have an opportunity to bid for all public works contracts.

Mr Yoshino, in his role as federation chairman, said earlier yesterday that the request was excessive, and Japan should experiment with a "conditional" open bidding system to replace the present designated bidder system.

The spate of arrests and confessions in the past year have provided US negotiators with evidence in their attempts to demolish the *dango*, the cartels which allegedly control the awarding of contracts by preselecting a winner and ensuring that other bidders put in estimates far higher than the "winner".

However, the allegations against Mr Yoshino reflect the at times fierce competition among Japanese contractors for lucrative provincial contracts, particularly dams, civic centres and universities, all of which were planned in Ibaraki prefecture.

Apart from highlighting the sometimes unsavoury links between politicians and contractors, the investigation has drawn attention to the priorities of provincial governments, alleged to outlay huge sums on unnecessary dams and government buildings, while neglecting less lucrative but more needed projects.

Application for Security Council seat may divide coalition

Ambitions at UN scaled back

By William Dawkins in Tokyo

JAPAN will tone down its campaign for a permanent seat on the UN Security Council when Mr Morihiro Hosokawa, the prime minister, addresses the UN General Assembly next Monday.

Mr Hosokawa is expected to avoid mentioning Security Council membership in a speech he is due to make before the assembly. It is the latest issue to cause divisions in Japan's seven-party coalition and indicates that the coalition could find it hard to stick to its pledge to pursue the same foreign policy as the previous LDP government.

However, in a demonstration of support for UN peacekeeping operations, Tokyo will make a $196m (£127m) contribution to the peacekeeping budget, said officials.

The Social Democratic party, the largest coalition partner, argues that sending troops overseas contravenes article nine of Japan's constitution, which renounces military force to settle international conflicts.

At the other extreme, the Japan Renewal party of Mr Ichiro Ozawa, the main power-broker behind the government, believes Japanese troops should take an increasing part in UN peacekeeping in line with the country's attempts to take a more prominent part in international affairs.

The issue has been been in the public eye the past week, with the return of Japanese peacekeepers from Cambodia at the end of their six-month mission.

Mr Hosokawa, who has avoided taking sides in this, will restrict himself to stressing that Japan will do all it can to support UN reform to pursue peace in the post cold war era, said officials.

This is cautious by comparison with a Japanese official position paper, sent to the UN secretariat in July, in which Tokyo offers to assume all security council duties necessary.

Mr Hosokawa is prepared to compromise with the SDP because the government's top priorities are the reform of Japan's political system – the main item of business on a 90-day extraordinary parliamentary session which began last week – and measures to revive the flagging economy.

JAPAN yesterday agreed to consider British proposals to encourage voluntary compensation payments from Japanese companies which exploited prisoners of war during the second world war, writes Kevin Brown in Tokyo.

During talks in Tokyo, Japanese prime minister Morihiro Hosokawa told Mr John Major, his British counterpart, that the issue had been legally closed by the 1951 San Francisco treaty. The treaty, which provided a lump sum of $1.5m (£970m) to be shared by 12,000 former British prisoners, is regarded as unacceptable by POW organisations.

However, Mr Major said Mr Hosokawa agreed to consider "non-government measures" to defuse the issue, which has threatened to overshadow the British premier's four-day visit. Under the UK plan companies such as Mitsubishi and Nissan, which benefited from POW labour during the war, would make voluntary donations to a non-government compensation fund.

However, the offer failed to satisfy the Japanese Labour Camp Survivors' Association, which said it would take legal action unless further progress was made quickly. Mr Martyn Day, a British lawyer representing the association, said in Tokyo that the action would "probably" be launched in Japan following discussions with Japanese lawyers.

Tomiichi Murayama: pushed into standing — Associated Press

Social Democrats pick compromise leader

By Robert Thomson in Tokyo

THE SOCIAL Democratic party, the largest group in Japan's coalition government, yesterday chose Mr Tomiichi Murayama as its new chairman in an election highlighting party members' unease at their alliance with conservative parties.

Mr Murayama, 69, was backed by most factions within the SDP, formerly the Japan Socialist party, but 33 per cent of members did not vote and 22 per cent of the voters supported a far-left candidate, Mr Masatoshi Ito, who opposes political reforms proposed by the coalition.

Before standing in the election, Mr Murayama had criticised the reforms, but he has agreed to offer public support for four bills which the coalition government hopes to push through during an extraordinary session of parliament, which began on Friday.

Mr Murayama replaces Mr Sadao Yamahana, who resigned after the SDP's poor showing at a July election, when it lost votes to newer parties and saw its representation cut from 134 to 70 in the lower house of parliament.

Since the election, party members have disagreed over whether traditional left-leaning policies, including support for totalitarian North Korea, should be replaced or whether the party was losing supporters because of the move towards the middle ground.

Mr Murayama was a compromise candidate who had not planned to stand for the leadership until pushed by more pragmatic leaders, who feared that a candidate too closely linked to the pro-reform group of Mr Yamahana could lose.

However, Mr Murayama had joined a pro-reform group in 1972, when he opposed the attempts by the far left to take control of policy-making. The son of a fisherman, he was elected to local government after serving as a representative of a fishing co-operative in the south of Japan.

He has chaired study groups which have defended Japan's ban on rice imports and his links to fishing co-operatives mean that he will be under pressure to take a stand against other proposals to liberalise food imports.

After his election yesterday, Mr Murayama said the SDP would continue to support the coalition government and to reform itself. But Mr Ito argued that the unexpectedly large number of votes he received "gives me a strong foundation on which to fight against political reforms".

While Mr Murayama pledged support for the coalition, he also campaigned against Japan's 3 per cent value added tax, which several other members of the seven-party coalition want to increase to as much as 10 per cent.

The SDP also differs with most of its coalition partners on defence issues, including Japan's quest for a permanent seat on the UN Security Council.

Mr Murayama will be repeatedly torn between his loyalty to SDP policy and the need to hold the coalition together.

Assad sees Israel as the only winner

By Roger Matthews, Middle East Editor

PRESIDENT Hafez al-Assad of Syria has warned that only Israel benefited from last week's outline peace agreement with the Palestine Liberation Organisation.

The president said there was no justification for the secret talks between the PLO and Israel. "In my opinion the PLO has lost, as have the Arabs," he said told the Egyptian newspaper al-Akhbar published yesterday.

Mr Assad stopped short of threatening to oppose the agreement, but said there was nothing he could do to prevent conflict between those who supported it and those who were against. "If we wanted to oppose the agreement we could have made it fail," he said.

But he added that he had told Mr Yassir Arafat that it was the PLO leader's duty to unite Palestinians in order to avoid the risk of massacres.

He also rejected calls from Mr Yitzhak Rabin, Israel's prime minister, to restrain Palestinian groups based in Damascus from attacking the deal struck by Mr Arafat. "When the West and Israel demands that we silence these groups, we say let Mr Rabin silence the Likud (the right-wing Israel party which also opposes the agreement)."

Mr Assad, whose relationship with Mr Arafat has been marked by long periods of bitter hostility, said the news of the PLO-Israel agreement had come as a "painful surprise" and he claimed Syria had postponed many critical issues because of the Palestinians. He added he still did not know fully what the PLO and Israel had agreed, but believed that on every point there needed to be a further agreement.

The Syrian leader's comments underline the urgency felt by the US for there to be swift progress on negotiations between Israel and Damascus for resolving the issue of the Golan Heights.

The 21 members of the Arab League said in a statement from its Cairo headquarters yesterday that the Palestinian-Israeli agreement was "an important first step towards realising the land-for-peace principle,".

Arafat bid to calm Jordanian fears

MR Yassir Arafat, chairman of the Palestine Liberation Organisation, flew to Amman yesterday to discuss implications of the Gaza-Jericho accord, James Whittington reports from Amman. Mr Arafat's visit also served as an opportunity to calm fears that Jordan was being excluded from issues effecting Palestinians and the region as a whole.

Despite initial reservations about being left out from the Israeli-PLO negotiations, King Hussein has fully endorsed the Palestinian peace deal. There has, however, been a noticeable shift in policy over the past week from the traditional joint Jordanian-Palestinian stance to one where the kingdom's interests take priority.

Two issues expected to be discussed with Mr Arafat were Jordan's economic relationship with the West Bank, and the future status of the kingdom's Palestinians who make up over half the population.

The government says it may have to postpone this year's multi-party elections until the status of Palestinians living in the kingdom is clarified. The elections, scheduled for November 8, were to be the first since 1956 in which political parties would campaign.

However, there are fears that the elections may become a referendum on the peace process with Islamist and leftist parties winning votes from those Palestinians who have nothing to gain from the settlement.

Western diplomats express severe reservations about any postponement. "The damage to democracy would be considerable," said one. "Palestinians in Jordan will feel targeted which could prove destabilising," said another.

Jordan's nationalist parties and tribal leaders are especially vocal in their calls for postponing the elections. Head of the nationalist party Al Ahd, Mr Hadi Abdul Majali, who is also the prime minister's brother, argues that either Palestinians who will be allowed to return should relinquish their voting rights or the elections should be postponed.

NEWS IN BRIEF

Turning point for UN, says Boutros

THE PROCLAIMED renaissance of the United Nations after the end of the cold war may lack reality and the organisation remains at a turning point, according to Mr Boutros Boutros Ghali, the secretary general, writes Michael Littlejohns in New York.

In the introduction to his annual report to the general assembly, which begins a new session today, he criticised members that pushed UN troops into conflicts "where major powers are not willing to venture themselves."

At the same time, the UN was struggling to deal with problems of the poorest states in which rich nations were no longer so interested now that decades of ideological competition for their votes were at an end.

Russia postpones bank vote

The Russian parliament has postponed until further notice a final vote on whether to ban foreign banks based in Russia from dealing with Russian customers, Mr Pavel Medvedev, chairman of the Russian parliament's banking sub-committee, said yesterday. Leyla Boulton writes from Moscow.

Mr Medvedev said an increasing number of deputies supported his behind-the-scenes efforts to get parliament to drop its proposed ban, which it had been expected to examine last Friday. The proposed restrictions first appeared in parliament as a result of lobbying by Russian commercial banks seeking protection from foreign competition, but has been opposed by the government, central bank, and Mr Medvedev's sub-committee.

Austria rules on accounts

The Austrian government, which is attempting to improve the credibility of its capital markets, will outlaw the use of anonymous bank accounts for securities transactions, Ian Rodger reports from Vienna.

Mr Ferdinand Lacina, the Austrian finance minister, said in an interview that the ban would become effective before the end of the year.

The widespread use of anonymous accounts for securities transactions has long been a source of frustration for Austrian capital market authorities.

Expatriates to invest in India

A group of expatriate Indian businessmen led by Mr Srichand Hinduja, head of the Hinduja international trading combine, plans to raise more than $1bn (£600m) for investment in India, Stefan Wagstyl writes from New Delhi.

Mr Hinduja, whose family comes from the province of Sindh, in present-day Pakistan, is raising the money from among fellow Sindhis living around the world. They plan to invest in a commercial bank, a mutual fund, an insurance business, in television and in publishing. They also propose setting up a charity for distributing a portion of their profits in India.

Calls to liberalise industry

By Alan Cane

BUSINESS leaders across Europe would welcome increased competition, especially in the telecommunications sector, but most believe they are unable to persuade their governments to accelerate liberalisation.

This is the principal finding of a survey carried out by Harris Research on behalf of British Telecom of the UK which examined attitudes to liberalisation in eight continental European countries.

The business leaders believe increased liberalisation of telecommunications would cut costs, increase efficiency and improve quality of service.

Britain has the most competitive telecommunications market in Europe and BT has been pressing for a speeding up of the liberalisation process in other countries.

Some 60 per cent of the senior business people consulted chose telecommunications as the industry they would like to see liberalised.

The survey shows that almost three-quarters of large companies are prepared to consider changing their telecommunications suppliers and believe that doing so would not expose their businesses to unnecessary risk.

The greatest resistance to change came from France and Sweden where only about one-fifth of business people showed a willingness to change supplier; 94 per cent of Italians, on the other hand, said they would be happy to go to an alternative supplier.

However, companies were virtually unanimous in lacking confidence in their ability to influence their national governments to accelerate liberalisation.

Papandreou opens campaign

By Kerin Hope in Athens

GREEK ELECTIONS

MR Andreas Papandreou, the Greek opposition leader, has opened his election campaign with the old-fashioned political rhetoric his supporters like to hear.

He promised to raise living standards and provide full employment if his Panhellenic Socialist Movement (Pasok) returns to power at the October 10 general election.

Over 100,000 Pasok supporters crowded the Thessaloniki waterfront at the weekend to hear the former premier speak enthusiastically, if vaguely, of "policies that will lead to development, policies that will provide social protection."

Opinion polls give Pasok a a small overall majority in a new electoral law that favours the front-running party. Yet much will depend on Mr Papandreou's ability to convince floating voters he is fit enough to be prime minister again.

There can be no doubting Mr Papandreou's capacity to make a political comeback. He has survived open-heart surgery, held on to the Pasok leadership despite three successive election defeats, and been acquitted of charges of corruption while in office.

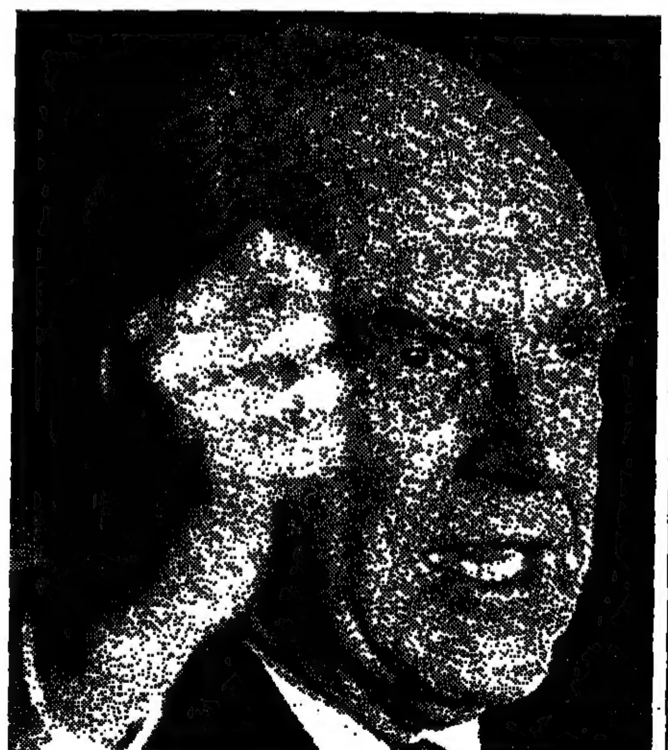
Now 75, he makes few public appearances and his speeches are shorter than they used to be. He keeps a tight grip on Pasok as there is no obvious candidate to challenge him for the leadership.

None of the six personalities mentioned as likely successors to Mr Papandreou seem to command support from all Pasok's factions.

However, Mr Papandreou's reluctance to co-operate with potential rivals means policy is made in a vacuum. Ask a prominent party economist how a socialist government would cope with Greece's widening public sector deficit and the answer is as vague as any of Mr Papandreou's campaign promises.

The conservative New Democracy party's election tactic is to provoke Mr Papandreou into being specific. He has given reassurances that he does not intend to devalue the drachma, but refuses to be drawn on how a Pasok government might cover the revenue shortfall that would result from cancelling the privatisation programme.

Still, the socialists say they are committed to steadily reducing inflation and the public sector deficit in order for Greece to achieve economic convergence with the rest of the European Community by the end of the 1990s.



Mr Andreas Papandreou, the Greek opposition leader: his "policies will lead to development" — Associated Press

Support for China Olympics bid

By Simon Holberton in Taipei

BUSINESSMEN in Taiwan and Hong Kong believe Beijing should be awarded the Olympics so as further to entrench China's move away from communism.

Businessmen claim the west has an interest in supporting China's current leadership which has committed itself to economic reform and the award of the Olympics would secure the leaders' position.

China's failure to win the 2000 Olympics would also create widespread resentment among Chinese communities outside the mainland.

Many people in Taiwan and Hong Kong see the Olympics as a recognition of Chinese culture and civilisation, not the government in Beijing.

In Taiwan especially, pride in being part of China's civilisation transcends anti-communism and dislike of the current regime. A rebuff by the International Olympic Committee, which votes on Thursday, would be seen as just another rejection of China by the west. Disappointment would be further reinforced as Beijing has promised to stage some events in Taiwan and Hong Kong.

It is claimed that Beijing will be more careful in its treatment of Hong Kong and in the wooing of Taiwan with the games than without them.

● China has bowed to world pressure by agreeing to a human rights probe just days before the Olympics decision, the International Federation of Human Rights (FIDH) said yesterday, Reuter reports from Paris.

Mr Daniel Jacoby, FIDH president, told a news conference his group had received an invitation to investigate claims of human rights abuse from Chen Xitong, president of the Beijing Olympic Bid Committee, during weekend talks in Monte Carlo.

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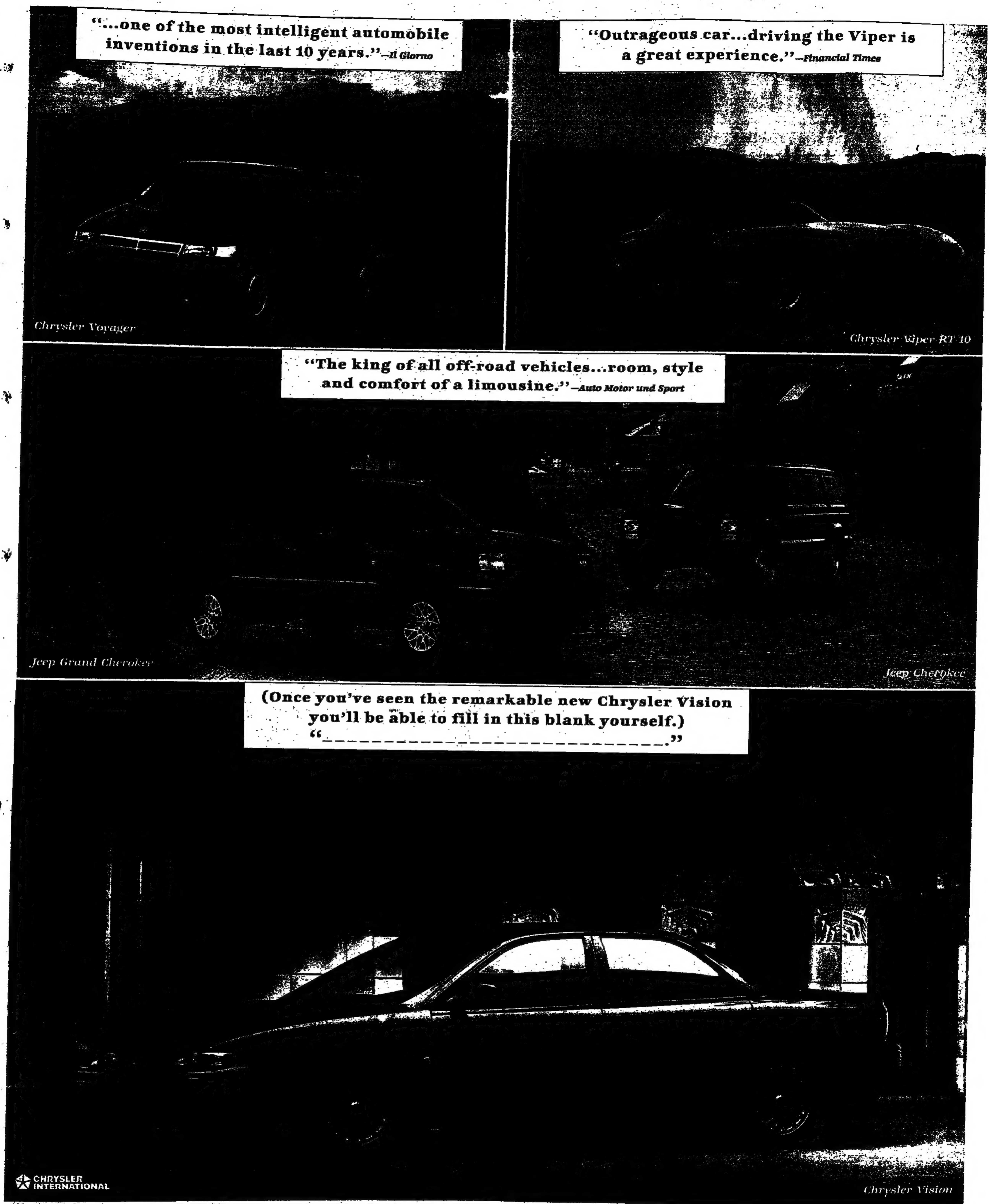
ESDAY SEPTEMBER 21 1993

Assad sees Israel as the only winner

By Roger Matthews, Middle East Editor

Arafat bid to calm Jordanian fears



If you'd like some professional examples to guide you, they do exist. *Le Figaro* says that the Vision is "a 'tour de force' from Chrysler's designers." *Auto Bild* simply calls it "one of the best cars in the world."

Their enthusiasm is understandable. With its new cab forward design, the Vision combines the nimbleness of a sports sedan, the roominess of a touring car and the safety of driver and front passenger air bags. We think that the Vision is the perfect addition to Chrysler's family of distinctive vehicles. And clearly, we're not the only ones who think so.

CHRYSLER

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EC's row over farm trade hits tariff talks

By Frances Williams in Geneva

THE THREAT to the Uruguay Round of world trade talks posed by French resistance to last year's US-EC farm trade pact is having an adverse impact on vital multilateral talks in Geneva designed to lower tariffs on industrial and agricultural goods.

At a stocktaking meeting last Friday, a number of countries expressed concerns that the negotiations were being impeded by the continuing row within the EC over the Blair House accord. Although intensive talks are continuing, aimed at cutting overall tariffs by at least a third, countries are unwilling to come forward with further concessions while the row is unresolved.

Community officials have been unable to convince trading partners that they should bargain seriously on the basis of an EC market-access offer for farm goods that derives from the Blair House deal.

Failure to make progress soon could delay the tariff negotiations which, with parallel talks on market-opening measures for services, are an integral part of the Uruguay Round package. The Round must be completed by December 15, when US fast-track negotiating authority expires.

For agricultural exporting countries, liberalisation of farm trade is the key to successful completion of the Round and there is strong opposition to any watering down of the Blair House accord. This was stressed last Friday, both in Geneva and in Montevideo, where the Rio Group of Latin American nations said they needed better market-access terms for their agricultural goods if the final Uruguay Round package was to be acceptable.

Developing countries also repeated complaints in Geneva on Friday that the tariff-cutting deal negotiated by the "Quad nations" (the US, EC, Japan and Canada) in Tokyo in July did not meet their concerns in such areas as textiles, tropical products and natural resource-based products.

The situation looks more promising for services, where a stocktaking meeting yesterday reported progress in finalising the draft framework agreement laying down rules for services liberalisation. However, trade officials say they do not expect the issue of audio-visual services, in which the US is pitted against the EC, to be resolved at this stage.

The EC wishes to preserve its freedom to restrict the showing of non-European TV programmes and to continue support for European film makers.

Constantin Heereman (right), chief of the German farmers' union, confers with Luc Guyau, representing French farmers, at the start of agricultural talks in Brussels yesterday Reuter

Japan 'to open rice market by year-end'

By Kevin Brown, Political Correspondent, in Tokyo

JAPAN is likely to liberalise its controlled rice market in time to allow completion of the Uruguay Round negotiations by a December 15 deadline, Mr John Major, the British prime minister, indicated after talks in Tokyo yesterday.

Mr Major, who is on a four-day visit to Japan, said Mr Morihiro Hosokawa, the Japanese prime minister, had agreed during two hours of talks that completion of the Round was "crucial" for world trade.

"We share the determination that it should be concluded by December 15," Mr Major said. "We agreed that immense damage would be done to international confidence and trade were there not to be an agreement in the Uruguay Round."

Mr Hosokawa said he and Mr Major had "mutually reaffirmed" the need for countries facing "difficult" agricultural problems to over-ride these differences.

British officials refused to expand on Mr Major's remarks. However, Mr Hosokawa is thought to have given a private assurance that Japan will move quickly to ensure that rice does not constitute a last-minute hurdle for the talks.

Japan has come under increasing pressure from the US and members of the 14-strong Cairns Group of agricultural exporting nations, chaired by Australia.

The issue of Japan's closed rice market has been in abeyance because of the controversy in Europe over French opposition to the Blair House agreement between the US and the EC on agricultural trade.

However, Tokyo is aware that world attention will shift to the rice market if it becomes clear that the Blair House agreement will survive.

Mr Major said he had relayed to Mr Hosokawa Britain's strong opposition to French demands for a renegotiation of Blair House.

Carmakers in Japan feel trade strains

By Michiyo Nakamoto in Tokyo and agencies

JAPANESE carmakers are showing increasing signs of the strains of trade friction with the US.

Mitsubishi Motors said yesterday it was studying the possibility of selling in Japan a new car developed by Chrysler, called the Neon, reflecting the pressure on manufacturers to help the cause of the US car industry there.

The US wants Japanese carmakers to buy more US-manufactured parts and help sell US cars in Japan. Automotive trade comprises about 37 per cent of Japan's trade surplus with the US, according to the US Department of Commerce.

As part of voluntary efforts to help rectify this imbalance the Japanese manufacturers have indicated they are willing to buy $19bn (£12.3bn) worth of US car parts in fiscal 1994.

Mitsubishi, which is also considering the possibility of selling Chrysler's popular LH car in Japan, has said it would import 6,000 cars from the US in fiscal 1995. This compares with 540 cars it imported from its Diamond Star Motors facility in the US, which was a joint venture with Chrysler until the US company pulled out in October 1991.

Mitsubishi said it was studying what the target market for the Neon might be and which of its distribution channels it might sell the car through.

The Neon, which was launched by Chrysler in Frankfurt earlier this month and is scheduled to go on sale in the US in January, was developed by the US company to compete in style, size, quality and price against Japanese vehicles. Its planned US price tag of less than $10,000 is already sending tremors through the Japanese car industry.

If the Neon lives up to its reputation it could deliver a heavy blow to the Japanese car industry, already reeling under the effects of the rapid surge in the yen's value against the dollar. This is hurting the competitiveness of Japanese carmakers and forcing them to review global strategies, from manufacturing to exports and pricing.

The currency movement is also forcing most Japanese car manufacturers to raise prices in the US, with Mitsubishi vehicles increasing by an average 3.4 per cent, Nissan by 5.2 per cent and Toyota by 3.9 per cent for 1994 models.

Meanwhile, Honda has decided to shift manufacturing of most of its popular Civic and Accord models sold in the US to North America.

The company said manufacturing of the Civic, which sells about 20,000 models in North America, would be shifted from next spring and that of the Accord, which sells 60,000 vehicles, from April 1996.

The move is part of the company's plans to strengthen manufacturing in North America to avoid the worst effects of currency fluctuations.

The US is already a significant export base for Honda; last year it exported 55,000 cars from the US to the rest of the world.

While other Japanese carmakers would like to follow Honda's lead, most are constrained by domestic considerations, such as the need to use capacity at new facilities in Japan, maintenance of ties with domestic suppliers and the difficulty of reducing employee levels.

But with Toyota, the largest Japanese carmaker, warning it could make a loss if the yen stays at its current level, Honda could indeed be setting an industry trend.

● Mr John Major, the UK prime minister, poured scorn in Tokyo on US attempts to force Japan to set specific trade targets in bilateral trade talks. At a news conference Mr Major said: "If you're going to have a free-trading world, it has to operate on a multilateral basis".

The prime minister said he believed trade problems between countries should be resolved in the Gatt forum and not on a bilateral basis, as pursued by the US government.

ABB raises Russia profile

By Andrew Baxter

ASEA BROWN BOVERI, the Swiss-Swedish engineering group, is forming a joint venture with Saturn – a Russian company best known for producing engines for the Sukhoy 27 jet – to manufacture parts for power plants.

The "swords to-ploughshares" tie-up is one of the most important signed so far between a western company and Russian industry. It is the first time one of the big western power equipment suppliers has joined forces with a Russian defence company.

The joint venture company, called ABB Uniturbo, is 80 per cent owned by ABB and 20 per cent by Saturn. It will be based at Saturn's plant near Moscow and will initially employ 500 of its 4,000 workers. ABB said the venture would cover engineering, research and development, product development and manufacturing of components.

But The Swiss-Swedish group is discussing other joint ventures in Russia, which could be used for assembly of complete gas turbines. ABB said that by the end of the year it expected to be employing 20,000 people in more than 40 companies in the former Soviet Union and east Europe.

Last month it announced a venture with AvtoVAZ, maker of Lada cars, to produce fans in Russia for the domestic and industrial ventilation market.

Canada base plan for satellite launch

By Bernard Simon in Toronto

A GROUP of Canadian investors plans to revitalise the far-northern grain port of Churchill, Manitoba, by building the world's first privately owned satellite launch centre there.

Akjuit Aerospace said it already had funds to complete preliminary engineering studies for the C$250m (£126m) project, which involves refurbishing and expanding a disused rocket range.

Churchill is on the western shore of Hudson Bay and best known for polar bears and Beluga whales.

The "spaceport" is predicated on a surge in demand for small telecommunications satellites in polar orbits a few hundred miles above the earth. Ms Siobhan Mullen, Akjuit president, declined to name potential customers.

Among the companies planning communications satellite networks are Motorola, Iridium, Loral, and Orbital Sciences Corporation.

Churchill is competing for the small-satellite business with launch sites in California, Alaska, Australia, the CIS, Sweden and Norway.

Ms Mullen predicted no more than two polar spaceports will be commercially viable – "whoever gets there first, wins."

Akjuit's chairman is Mr George Richardson, a prominent Winnipeg businessman. Its board includes a former chief executive of Telsat Canada, the government's satellite agency, and the head of Bombardier Capital, a finance subsidiary of the Montreal-based transport equipment group. Local aboriginal groups are involved in the project.

Akjuit aims to begin satellite launches from Churchill by late-1995. The facility will accommodate rockets with payloads of up to 6,000 pounds.

Tokyo to ease rules on lawyers

By William Dawkins in Tokyo

JAPAN has offered its main trading partners partial satisfaction on long-standing demands to open the heavily regulated Japanese legal profession to foreign practitioners.

The US and the European Community have pressed Japan to ease curbs on foreign lawyers' freedom to work in one of the world's largest and most lucrative legal markets. The issue is on the agenda of Mr John Major, UK prime minister, now on an official visit to Japan.

Government officials in Tokyo have announced that foreign lawyers will be allowed to run legal firms with Japanese partners, under a plan which is to be presented to parliament next January.

At present, foreign lawyers in Japan are only allowed to work out of court, based on their own countries' laws. They cannot practice in court work related to Japanese law.

The US and EC claim this is an unfair infringement of free competition. A mere 76 foreign lawyers are registered with the Japanese bar.

US may end backing for anti-drug drive in Peru

By Stephen Fidler, recently in the Upper Huallaga Valley

THE US administration has warned the Peruvian government that it may have to end support for anti-narcotics efforts in Peru's main coca-growing zone, US officials said in Washington yesterday.

However, contrary to indications from Lima last week, agents of the US Drugs Enforcement Administration remain conducting coca eradication at the Santa Lucia base in Peru's Upper Huallaga Valley, the officials said.

Uncertainty over US anti-narcotics efforts in Latin America has been intensified by a $47m (£30.5m) cut by the US Senate appropriations committee in the $147m budget of the State Department unit running drugs interdiction in Latin America.

The cut will take effect with the start of the new fiscal year next month, if it is confirmed by a joint committee of the Senate and the House of Representatives.

The US also supports air operations in Bolivia, Guatemala, Colombia and Belize from this budget, as well as a sizeable number of other programmes.

The reduction comes as the the US administration is reviewing its anti-narcotics policy after serious questions as to the benefits of the US drugs effort abroad. US government officials said the review, which should be completed by the end of this month, has led to sharp divisions between US government departments connected with the efforts.

A classified National Security Council document, which forms part of the review, concluded, according to the Washington Post, that the Pentagon's $1.1bn drugs interdiction budget – much of it spent in central America and the Caribbean – has proved largely ineffective in stopping cocaine reaching consumers in the US.

Peru is the largest cultivator of coca in the world, producing two-thirds of this leaf which is raw material for cocaine. The State Department estimates that some 129,100 hectares are under cultivation, over half of these being in the Huallaga Valley north-east of Lima.

Official Peruvian policy is aimed at containing the growth of coca production and increasingly emphasises alternative development for farmers, which includes crop substitution. However, the remoteness of the coca-growing areas and the lack of roads militate against such solutions.

LUCRATIVE LEAVES: Spending cuts by the US administration could be good news for coca farmers in the Andean highlands of South America. In the picture, coca leaves are harvested at a main source of the crop, the Chapare Valley of Bolivia Picture: Christina Lamb

Tax treaty may spark corporate shake-up

By Andrew Jack

THE US and the Netherlands have approved a draft tax treaty which could prompt restructuring of a number of multinational companies.

The assistant secretary for tax policy at the US Treasury and the director-general for fiscal affairs in the Netherlands have agreed amendments to the US-Dutch tax treaty initialled last December, which clear the way for ratification, possibly by the end of the year.

Even if the one-year grace period permitted by the treaty is invoked, the agreement means that from January 1 1995 US subsidiaries held through companies in the Netherlands will no longer be eligible to take advantage of low tax rates between the two countries.

"A large number of companies may be restructuring, beginning December 31 this year," Mr Bruce Lassman, head of the US tax desk at accountants Ernst & Young, said yesterday.

The revised treaty, negotiated over more than 11 years, imposes tough new criteria for eligibility. Those companies excluded will see US withholding taxes on dividends to Dutch companies rise from 5 per cent to 30 per cent and on interest payments from zero to 30 per cent.

One of the principal reasons for the delay was a clause concerning tax treatment of Swiss branches of Dutch companies, which had not been finalised.

Negotiators have now agreed a text, which states the US will impose a 15 per cent withholding tax unless income from Swiss branches is taxed at more than 17.5 per cent.

Correction

In the article "World Bank to raise lending commitments", in the Financial Times of September 20, a reference was made in the first paragraph to the bank's lending commitments of "$26.9bn in the past year to June 30". This figure should have been $23.7bn.

Cuts proposed to axe deficit

By George Graham in Washington

PRESIDENT Bill Clinton may have thought his budget battles were over, at least for this year, but two former senators came back to Washington yesterday to sound a trumpet call for more radical measures to eliminate the federal budget deficit entirely by 2000.

Mr Paul Tsongas and Mr Warren Rudman laid out a programme that scrapes virtually every political nerve in the US, proposing means-testing for most social security benefits, severe cuts in the Medicare health plan for the elderly, and a steep increase in petrol taxes.

Mr Tsongas and Mr Rudman come from different political parties, but they share a sense of urgency about the need to bring under control the federal budget deficit, now rising at a rate of $12,000 (£7,800) a second.

"That is $12,000 a second of debt that we leave to our children. Those numbers are generationally immoral," Mr Tsongas said yesterday at a small rally on Washington's Pennsylvania Avenue, midway between the White House and Capitol Hill.

The central proposal of the programme outlined by Mr Tsongas and Mr Rudman is a sliding scale means test, which would progressively reduce benefit payments to all those whose income exceeds $40,000 a year.

They calculate that this would save $67.6bn in 2000.

"We must change the conception in America about how this deficit is being caused: not, as many Americans think, by waste and fraud, by too much foreign aid or by too many congressional perks, but by entitlements," Mr Rudman said.

The programme also proposes raising $44.8bn in 2000 through adding 50 cents a gallon to the petrol tax, $18.7bn from alcohol and tobacco taxes, and $19bn from domestic spending cuts – in areas such as the space station, or community development block grants paid to cities and states.

Slippery steps away from inflation

Angus Foster finds Brazil's finance minister planning amid growth but under a cloud

THREE MONTHS after launching yet another plan to tackle Brazil's budget deficit and rising inflation, Mr Fernando Henrique Cardoso, finance minister, and his advisers are trying to calm fears that shock tactics are on the way.

Driven by rising industrial production and exports, the economy shifted gear in the final quarter of last year, after disappointing growth since 1986. It could grow by 4 to 5 per cent this year, but it is being hindered by political problems and annual inflation heading for 2,000 per cent.

Car production is at record levels and the country is running a trade surplus of more than $1bn a month. There are also encouraging signs of improved productivity in the private sector, following cuts in both costs and labour, in reaction to Brazil's market liberalisation policies since 1990.

But all this good news pales is overshadowed by the cloud of inflation. The September rate is likely to be nearly 40 per cent, only 10 percentage points below the level many economists call hyperinflation. Six months ago, it was less than 20 per cent.

The steady rise in inflation has ignited fears that the government will come under political pressure from Congress and other groups to launch another shock plan, such as those which were tried, and which failed, under the two previous presidents, Mr Sarney and Mr Collor. These aimed to squeeze inflation out of the system by freezing prices or wages. They failed, partly because they did not tackle the bigger problem of inflationary budget deficits.

Brazil's chronic inflation is inspired by politics as much as economics, institutionalised by successive years of lax spending controls, government deficits and indexation.

According to one observer, "the political leadership in Congress is not scared of inflation; they don't believe the numbers the government shows them and they don't have the will to make these difficult decisions."

Part of the problem stems from the 1988 constitution, which transferred tax-raising powers from the federal government to states and municipalities, without transferring all the spending responsibilities. So, the federal government loses nearly 70 per cent of its revenues in transfers to the states and in wage bills. Of the rest, a further 17 per cent went in interest payments last year. This gives the federal government little room to cut spending. Indeed, simply to pay for essential services in 1994, an operational deficit of about 4 per cent of forecast GDP is expected.

However, in the last three months, the government's new team has signed debt accords with more than half Brazil's 26 states, clamped down on tax avoidance to lift tax revenues, separated the accounts of the Central Bank and Treasury to give greater clarity to their respective spending, and maintained the momentum of the privatisation programme, although critics argue that this remains too slow.

A serious setback came last week when the Supreme Court ruled unconstitutional a new tax on all financial transactions before next year, which the government hoped would raise the equivalent of $300m-400m a month this year.

It is likely that the next step will be the announcement, probably in the first week of next month, of new rules on privatisation designed to widen the scope and scale of the programme and signal a symbolic redefinition of the state's role in Brazil. For example, some sectors closed to the private sector, such as electricity generation, could be gradually opened.

Second, probably in the next couple of months, the government plans to launch a big package of fiscal reforms. These have to be finalised but could focus on freeing some of the resources the federal government is now obliged to give to states and municipalities. There would also have to be large spending cuts designed to acheive a balanced budget. As a parallel development, such longer-term reforms as the reconstitution of the burdensome social security system would be affected through the constitutional review.

The final stage of the programme, not to begin until the government has an operationally balanced budget and a favourable political situation, would be a de-indexation programme to tackle "inertial" inflation caused by price and wage indexing.

This neat and tidy timetable, however, could be derailed by the interest groups which scuppered previous plans. Mr Cardoso's calls for a political consensus to implement reform and control spending appear optimistic before next year's presidential election, the proximity of which tends to inhibit a will to cut public spending.

Mr Cardoso may be his own worst enemy. He denies he will run for president next year, but is assumed by his opponents to have just that intention.

The argument between President Itamar Franco and the Party of the Brazilian Democratic Movement (PMDB), which last week threatened to withdraw support from the president, may reflect PMDB worries that Mr Cardoso's plans will succeed, leaving him as a strong candidate for next year.

Vauxhall slashes production

By Kevin Done,
Motor Industry Correspondent

VAUXHALL, UK subsidiary of General Motors of the US, is cutting car production sharply at its two assembly plants this month under the impact of the steep fall in new car sales in continental Europe.

Later this week Nissan, the Japanese manufacturer, is expected to become another victim of falling European new car sales. It is expected to announce a significant cut in output at its plant in Sunderland, Tyne & Wear, in north-east England, for the last three months of the year.

Ford, the leading UK vehicle maker, has imposed a four-day week at its Transit van plant in Southampton, Hampshire, throughout September and October.

Vauxhall is cutting all production of the Vauxhall Cavalier-Opel Vectra in its Luton, Bedfordshire plant this week with the loss of nine shifts. It is cutting 14 shifts in Luton during September, which will eliminate the production of 5,506 cars.

By the end of September it will have cut 74 shifts this year in the Luton plant. In the first eight months output at the plant fell by 23.8 per cent to 84,630 cars.

Vauxhall's plant in Ellesmere Port, Cheshire, which produces the Vauxhall-Opel Astra, has virtually been reduced to working a three-day week during September with the elimination of 11 shifts, cutting production of 3,344 cars. In effect, the plant has been closed for production from Thursday afternoon to Monday afternoon during September. A total of 21 shifts will have been cut during the first nine months of the year.

Overall, Vauxhall production during the first eight months of the year has fallen by 12.7 per cent to 168,926 from 193,542 in the same period a year ago.

In spite of the recovery in the UK new car market this year Vauxhall has been hit by a sharp decline in exports. Shipments abroad from the Luton plant of the Opel Vectra have dropped by two thirds in the first eight months to only 11,375 from 35,564 a year ago.

BUGATTI International, which recently took over Group Lotus, the UK automotive engineering consultancy and maker of sports cars, plans to develop an affordable Lotus sports car for production in the late 1990s.

Lotus, which was previously owned by General Motors of the US, abandoned the two-seat roadster market last year. Rising losses and the high cost of production forced it to halt output of its Elan less than 2½ years after its launch.

Mr Romano Artioli, president of Bugatti Automobili, and Mr Mario Barbieri, vice-chairman, have become chairman and vice-chairman of Group Lotus.

UK site unlikely for Mercedes-Benz

By John Griffiths

DEPARTMENT OF Trade and Industry hopes of finding a UK site for Mercedes-Benz to build small cars – and of preparing a deal for the German vehicle manufacturer – may have been frustrated by public exposure.

The disclosure by Mr Helmut Werner, Mercedes' chief executive, that the company wants to make 200,000 small cars a year in one of four countries has triggered rival approaches to its UK headquarters in Milton Keynes, Buckinghamshire. The UK, France, the Czech Republic and Germany are on the shortlist.

To the chagrin of the Invest in Britain Bureau, the DTI agency most closely involved in seeking to attract the project, even individual chartered surveyors are understood to have approached Mercedes with proposals for the 250 to 300 acre site. While the bureau last night refused to discuss its role on grounds of "commercial confidentiality", it is understood that it had been hoping to maximise the UK's chances of attracting the project by compiling data on all potential sites in the country, and preparing its own proposal.

So far, only the Northern Development Corporation and Midlands development authorities have acknowledged that they want the project.

Industry analysts say Mercedes has to decide by the end of this year if production is to start, as planned, by 1997.

Mercedes has been stepping up its motor component purchases in the UK, which now supply £72m-worth annually. The parent group, Daimler-Benz, spends £350m annually with UK suppliers.

Building societies face more competition

By John Gapper,
Banking Editor

FURTHER EVIDENCE that building societies are facing their most severe competition since the mid 1980s emerged yesterday in figures that showed a squeeze on both mortgage lending and deposit-taking by the 88 societies.

Statistics released by the Building Societies Association and the British Bankers' Association showed banks raising their share of mortgage lending – largely through offering fixed-rate mortgages – at the expense of societies.

Societies are also suffering an outflow of retail funds, as depositors have withdrawn money to invest in equity products such as personal equity plans, as well as in the third tranche of the government's British Telecom stake.

The Building Societies Association said it expected investors to reinvest with societies following the fall in the FT-SE 100 index from its recent peak. "There is a touch of concern, but no more than that," said Mr Adrian Coles, director-general of the association.

Meeting follows long dispute about loan policies

Banks summoned over aid to small businesses

By Peter Marsh,
Economics Correspondent

MR EDDIE GEORGE, governor of the Bank of England, has privately called in top executives of the big four clearing banks to discuss his anxieties that the economic upturn could be stifled by lack of financial support to small businesses.

Mr George has also had discussions with small-business lobby groups to broaden the debate about how government policies can create the most favourable economic conditions for businesses which employ fewer than 200 people. The governor's initiative follows controversy after businesses complained that banks had widened lending margins, had increased charges and had been too quick to withdraw support to companies in trouble.

In talks taking in tax and training policies as well as the best way to nurture the relationship between small businesses and the banks, Mr George has made a personal commitment to improve the climate for small businesses.

The discussions have considered, for example, whether strict lending guidelines to bank branches handed down from head office may have restricted access to capital for specific businesses with a good growth potential. Better training for lending officers was also discussed.

Policy suggestions developed by Mr George during his meetings with senior managers of the big four – National Westminster, Barclays, Midland and Lloyds – are likely to be given to Mr Kenneth Clarke, the chancellor of the exchequer, and may be taken into account in his November 30 Budget.

Banking representatives called to the gatherings have included Mr Derek Wanless, chief executive of National Westminster; Mr Brian Pearse, Midland's chief executive; and Mr Bill Gordon, managing director of Barclays' banking division. A senior manager from Lloyds has also attended. The exercise has also taken in meetings with representatives of the 58,000-member Federation of Small Businesses and the 21,000-member Forum of Private Businesses.

The Bank has told people involved in the talks not to talk about them to outsiders on the grounds that publicity might damage the success of the initiative.

One person close to the discussions said: "Eddie has decided to get on top of the mass of complex issues which relate to whether small businesses get enough support from both the government and the banks. He believes the area could be crucial to affecting the shape of the recovery."

The big four banks are crucial to the health of the 2m or so businesses employing fewer than 200 people – which account for about three quarters of the workforce.

The study comes after two separate inquiries launched by Mr Norman Lamont, the former chancellor, last year and in 1991 into whether efforts by commercial banks to increase lending margins were preventing small businesses gaining the full benefits of cuts in UK interest rates.

Both these exercises, involving both the Bank and the Treasury, were conducted relatively openly with much subsequent publicity. Mr George appears to have decided that by conducting his exercise privately he may be able to take a more considered view of the issues involved.

Chemicals exported despite warnings

By Jimmy Burns

THE BRITISH government approved the export of potential lethal chemical products to Egypt in 1986 despite receiving intelligence that the country was being used as a diversionary route for Iraq, a former foreign office minister said yesterday.

Mr Tim Renton, foreign office minister from October 1985 to June 1987, told the Scott arms-for-Iraq inquiry that three government departments – the Foreign Office, Ministry of Defence and the Department of Trade and Industry – approved a 26-ton shipment of hydrogen fluoride in September 1986. The chemical is an agent that can be used in the military application of nerve gas of a kind that was being used at the time by the Iraqis internally and in its war with Iran.

Documents made available to the inquiry show that in January 1986, an intelligence warning was circulated among ministers by Mr Charles Powell, then foreign policy adviser to Mrs Margaret Thatcher, warning that Egypt had bought substantial quantities of the chemicals on behalf of Iraq and was planning to export more in the following months.

But Mr Renton told the inquiry that he had decided to drop his initial opposition to the export of the chemicals because there had been no "collateral" confirmation of intelligence provided by the Israeli secret service.

He had given his final agreement on the understanding that the Egyptian government be told of UK concern that the chemicals might be rerouted to Iraq and put to military use. Even then the Foreign Office decided to delay conveying its concerns so as not to upset Egypt diplomatically at a time when Mr Renton was preparing an official visit to Cairo.

It emerged yesterday that when Mr Renton answered initial questions from the Scott inquiry in June he said he had no memory of countries being used as a diversionary route to Iraq. He referred to the hydrogen fluoride licence after examining government documents supplied to him by Lord Justice Scott.

All sales licences to Iraq revoked

THE government yesterday confirmed that it was revoking all export licences for Iraq after the discovery of fraudulent United Nations and Department of Trade and Industry documents, writes Jimmy Burns.

The DTI said: "It has come to our attention that there may have been falsification of certain UK licences to Iraq. We have therefore decided it would be prudent to revoke existing licences and issue new licences."

The fraud involved tampering with documents to give false statements of export volumes on goods classified as humanitarian aid. Under the sanctions regime, imposed on Iraq after it invaded Kuwait in August 1990, humanitarian aid includes medicines and baby food.

However, yesterday's move is believed to concern borderline cases where the aid could have a defence-related application such as vehicle spare parts and concrete. These cases are subject to UN scrutiny and require a UN letter of authorisation.

It is understood that British officials have been debating how to prevent the fraud from spreading. One problem is that some of the fraud appears to have involved middlemen in Jordan, which is now being viewed by the UK government as a potential ally in the Middle East.

British officials also had to consider the consequences of being seen not to take action once the fraud had come to light.

It is understood that the Scott arms-for-Iraq inquiry was an influence on some officials, forcing an early decision to stamp out the fraud.

The head of the Foreign Office's UN department is Mr William Patey, who during the 1980s led the committee vetting export licences to Iraq.

EDICTAL

THE BRAZILIAN AIR-MINISTRY

THROUGH ITS OFFICIAL OFFICE IN EUROPE

THE BRAZILIAN AERONAUTICAL COMMISSION IN EUROPE

BACE

1. INVITES applications from suitably qualified companies to pre-qualify and tender for the rendering of services of FREIGHT FORWARDER in England, France and Italy.
2. The DOCUMENTS of the INVITATION FOR TENDER may be obtained from BACE, at 16 Great James Street, London WC1N 3DP, Tel. 071-405 5062, as of 14:00pm of 23rd September, 1993, for a non-refundable fee of £50.00
3. The TENDER DOCUMENTS are to be submitted to the PROCUREMENT COMMISSION, at BACE, at the address stated in item 2, in sealed envelopes by 15:00pm, London time, of 25th October 1993.
4. The International Invitation for Tender and the awards resulting therefrom will be governed by the Brazilian Law No. 8,666 of 21.06.93.
5. The envelopes containing the PROPOSALS shall be opened at 15:00pm of 8th November 1993 and officialization of the winner will occur at 15:00pm, of 12th November 1993, at the offices of BACE.
6. The CONTRACT will be signed on the 29th November 1993, at the head-office of BACE.

For further clarification please contact the PROCUREMENT COMMISSION, at BACE, at the address stated in item 2.

London, 20th September 1993
a) Walacir Cheriegate, Col
Head of BACE

Opposition mounts to anti-IRA City cordon

By Stewart Dalby and John Willman

DOUBTS emerged yesterday over whether the security cordon thrown around the City of London in the wake of two IRA car bomb attacks would be continued beyond its experimental phase.

City police and the Corporation of London, the local authority for the City, favour making the traffic restrictions a permanent feature of the financial district in the belief that they have improved safety, cut serious crime and brought environmental benefits.

However, senior ministers are believed to oppose using the traffic control scheme to combat terrorism on the grounds that it has been a propaganda coup for the IRA.

City of London police commissioner Owen Kelly said yesterday that the traffic control scheme had been "a key element in keeping the terrorists off balance".

He told a City seminar on security that the cordon had contributed to an 18.2 per cent drop in serious crime, mainly burglaries, in the City this year and had helped to improve safety in the wake of car bomb attacks.

Mr Kelly said the cordon had not been universally popular and that some members of the government were thought to oppose it. He explained that he had the authority to run the scheme for six months and could renew it for a further six. "After that it is up to the government," he added.

However, Mr Michael Howard, home secretary, who also addressed seminar, decline to say whether he would support the continuation of the scheme. Mr Howard said it would be up to the transport secretary to adjudicate "at the time". Mr Michael Cassidy, chairman of the corporation's policy and resources committee, believed opposition to the scheme came from the Department of Transport. "They do not appear to want to use a traffic control scheme to combat terrorism," he said. "We think the scheme has worked and want it to continue. It has improved security, but it has also had good environmental benefits."

A car bomb exploded in the City in April last year killing three people and injuring more than 80. A massive bomb in a truck was detonated near the NatWest tower and Hongkong and Shanghai bank in April this year, killing one person and injuring more than 40. Damage was estimated at the time at between £400m and £1bn.

Minister hints at road-pricing to beat London jams

By Ian Hamilton Fazey, Northern Correspondent

MR JOHN GUMMER, environment secretary, yesterday gave the strongest hint yet that the government favours a system of road pricing or "congestion charging" in London.

Mr Gummer said in Manchester that Norwegian experiments on controlling traffic through electronic tagging and metering had achieved limited success. "It may just be we have to have a more simple form as far as London is concerned," he said.

Mr Gummer was speaking at a conference attended by more than 200 people from 87 countries which gave the opportunity to local authorities and non-governmental environment bodies to debate recommendations made at last year's Earth Summit in Rio.

His comments suggested that the UK government had accepted that some form of road pricing was desirable for London and that discussion had moved on to deciding on the most suitable form.

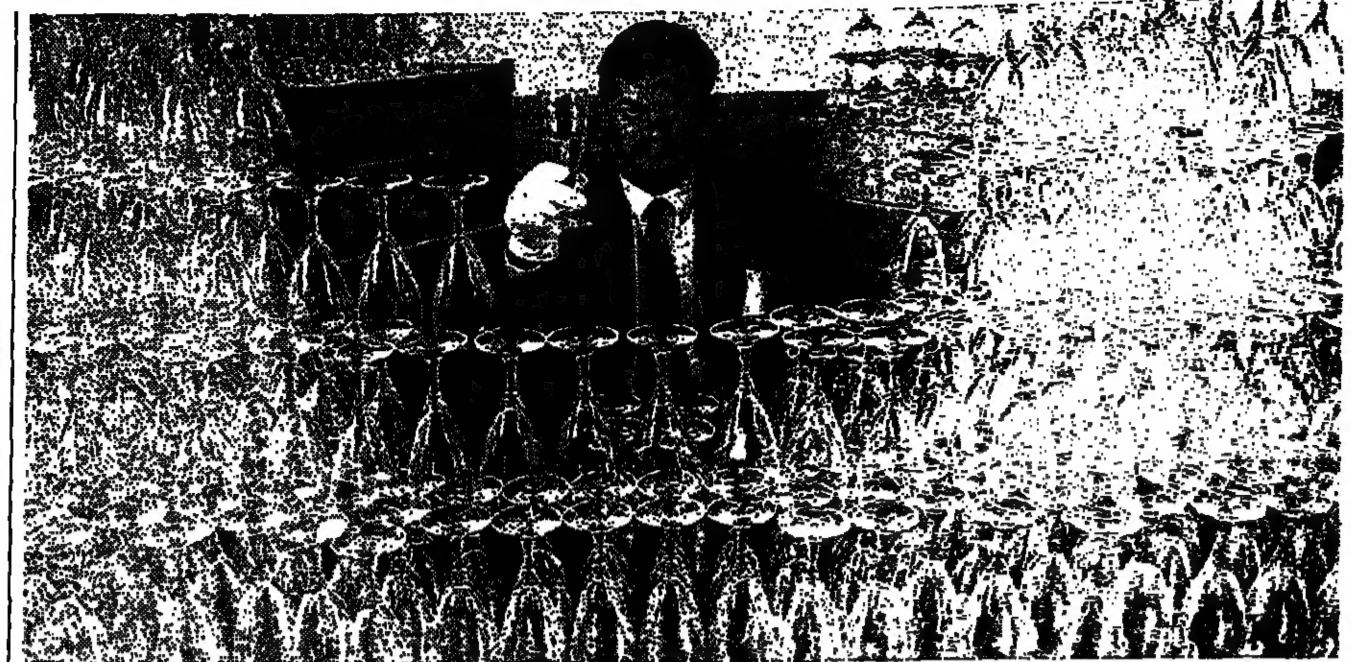
He said opinion polls surveys showed people favoured measures to encourage motorists to switch to public transport but objected when these were applied to them personally.

"Road pricing in its simplest form in London" would be one way of taking advantage of "underlying feeling" of support for measures to curb cars, said Mr Gummer.

The issue has aroused strong debate within the government. Mr Gummer said the departments of the environment and transport were working together to reconcile conflicting objectives in areas such as charging to beat congestion.

"You need a roads programme which does properly take into account environmental needs," he said.

"The trouble with environmental activists is that they won't decide priorities – you can't have everything at once. There are too many people who are absolutists. You cannot move from a situation where you provide everything for the motor car to one where you have nothing for cars," Mr Gummer said.



Caterer Stephen McManus will preside over the serving of an estimated 43,000 glasses of champagne during the six days of the Ryder Cup at the Belfry golf course in the Midlands, Tim Burt writes. The contest between the US and Europe begins today. All 38 hospitality suites, known as platinum pavilions, have been hired at £49,000 each by companies including IBM, IMI, Chase Manhattan and Royal Bank of Scotland. The suites will all contain fax machines, mobile phones and dining facilities for up to 50 guests. Restaurants will cater for the rest of the 7,500 corporate guests expected each day. Tournament organisers predict ticket receipts of more than £2m, which will offset investment on improving the greens at the course

EC funding boost urged for shipyard

By Chris Tighe

MPS AND Euro-MPs from the opposition Labour party are to meet EC competition commissioner Mr Karel van Miert next Tuesday to press for Community funding for Swan Hunter, the troubled Tyneside shipbuilder. More redundancies are likely to be announced at the company today.

Yesterday the parliamentarians and the UK Confederation of Shipbuilding and Engineering Unions launched a document saying that Swan Hunter should be allowed to qualify for EC "intervention funding" through being redesignated as a mixed yard.

"Intervention funding," from which UK warship yards are barred under a 1985 agreement between the UK and EC, gives access to a 9 per cent subsidy on merchant shipbuilding orders.

The MPs and Euro-MPs say Swans is in a unique position as the only shipyard classified as a warship yard to have built warships and merchant vessels without "intervention funding". They insist that redesignation as a mixed yard would not breach EC directives.

The latest job cuts at the Swans yard are expected partly because three weeks ago the company lost a £50m Oman patrol boat order to French rival Constructions Mécaniques de Normandie. Union sources said 100 Swans jobs had depended on the order.

News of three-figure job losses is likely this morning when receivers Price Waterhouse meet union leaders.

Swans went into receivership in May after failing to win a crucial order from the Ministry of Defence for a helicopter carrier. It has since shed almost 750 jobs, reducing its workforce to 1,700.

Unions and MPs fighting to save Swans are anxious to avert jobs cuts, arguing that the loss of key staff and break-up of teams of workers will make it less attractive to prospective buyers. It is understood that potential bidders, keen to avoid large redundancy bills, are holding back until further jobs are shed.

State health service 'promotes business'

By Alan Pike

BRITISH companies see opportunities for using the state-run National Health Service's international reputation as a basis for winning increased overseas business, Mrs Virginia Bottomley, health secretary, said yesterday.

Mrs Bottomley returned at the weekend from a visit to Australia, Hong Kong, Malaysia and Thailand. She had accompanied a delegation from 15 British companies representing a wide range of healthcare interests – including research, equipment manufacture and construction – that are bidding to expand their position in international markets.

Britain is second only to Germany as a European Community exporter of pharmaceuticals. Exports and overseas activities of the British healthcare sector are worth an estimated £5bn a year.

In Malaysia, a consortium between John Laing International and a local company has, with £13m finance from the UK government, secured a contract to build 12 hospitals based on NHS design experience.

The delegation included representatives of NHS Overseas Enterprises, which markets British health service management expertise and training overseas.

Mrs Bottomley said that in meetings with other health ministers during her visit, she had discovered widespread interest in the UK government's experience with trust hospitals, GP fundholders and other aspects of the NHS reforms.

Britain in brief

Lib Dems soften tone on Europe

The Liberal Democrats are to tone down their fervent pro-Europeanism in an attempt to maximise the party's appeal to disgruntled Conservatives in next summer's elections for the European Parliament.

Mr Paddy Ashdown, Liberal Democrat party leader, hopes to treat the elections principally as a referendum on Mr John Major's government, shifting the focus from specifically European policies.

In a calculated shift in the party's approach to Europe, its strategists signalled that the Liberal Democrat manifesto would address the concerns of an electorate which had become increasingly sceptical about European integration.

The injection of a Euro-sceptic tinge into the traditionally unalloyed enthusiasm for Europe reflects the judgment that the party's best hope of success in the European elections is to defeat Tories in the south-west.

Disputed Aids study delayed

The Medical Research Council has had to delay publication of the full results of its controversial study about the effectiveness of AZT, the most widely used treatment for Aids and HIV-positive patients.

In April the council revealed preliminary data suggesting that the drug was not effective in slowing down progress to Aids in HIV-positive patients.

Dispute over landmark

Sir Robert McAlpine and Sons has been taking legal advice on a dispute with the Hong Kong family that took over the mortgage of Battersea Power Station, a landmark on the south bank of the river Thames in London.

The construction company, which has a £20m debt on the site, found that its contractors were locked out of the area yesterday and refused access to their office and machinery.

McAlpine said: "We have very large quantities of material on the site which belong to us. There is a separate question of whether their [the family's] title is valid and that is something we shall be pursuing separately."

The Hwang family of Hong Kong, which effectively holds the site as mortgagee through its Park View company, had hoped to achieve the takeover through a voluntary arrangement with secured creditors of Battersea Leisure, which owned the site.

The family said it was not aware of doubts on the title.

Teaching unpopular

Only 9 per cent of final-year university students made teaching their first choice of career, a survey has found.

The survey, in which 411 students at 22 universities were interviewed by BMRB International for the Association of Teachers and Lecturers, also showed that teaching was least popular among engineering and science graduates. It is government policy to encourage science teaching.

Mr John Patten, education secretary, has recently said pay claims as high as 14 per cent by teachers' unions were unrealistic because "students are queueing up to be teachers".

Places left at former polys

Former polytechnics have been left with unfilled places following an unexpected expansion in the numbers of students recruited by the older universities.

The new universities, which acquired their current status last year, have not been in direct competition with the traditional universities before, and many are deeply disappointed by this year's results.

This is in stark contrast to predictions that old universities would reject far more applicants than usual, and that the former polytechnics would have difficulty accommodating the extra demand.

Major fails to quell sniping from rightwing Tories

Kevin Brown and David Owen

MR JOHN MAJOR yesterday shrugged off continuing attacks on his leadership and insisted he had no intention of resigning prime minister. As senior Tories redoubled their efforts to rally around him in the face of persistent sniping from rightwing critics, the prime minister insisted in Tokyo there was "no vacancy".

He won the unanimous support of British businessmen travelling with his party. Mr Michael Perry, chairman of Unilever, said it was "impossible to conceive of greater support and leadership than we have had in the last two days". Mr Howard Davies, director-general of the Confederation of British Industry, the employers' organisation, said the leadership speculation had not been raised by Japanese businessmen or officials.

But Mr Major was clearly irritated by continuous UK media questions about his leadership. He poured scorn on reports that Mr Kenneth Clarke, the chancellor of the exchequer, was one of three cabinet ministers being drafted to stand against him.

Remarks by Mr Clarke at the weekend, in which he appeared to confirm that he had been approached to stand, were said to have been misinterpreted. Aides said the remarks had been "supportive," and insisted that relations between the chancellor and the prime minister remained good.

Asked about reports that he felt lonely and isolated, Mr Major said: "Heaven alone knows where this nonsense comes from. It is not for me to speculate where everything that appears in public comes from. If I did that I *would* be lonely and isolated. I do not, and I am not."

However, the continued sniping from the right suggests that Mr Major's attempt to bring the rebels to heel by calling for an end to "stupid internecine squabbling" has failed.

He was said to be frustrated by his inability to get his message across, but looking forward to a showdown with the rebels at the Conservative party conference next month. In London, backbench criticism of his leadership continued, with Mr Tony Marlow, the Tory MP for Northampton North, arguing that a change of leader was now inevitable.

Mr John Biffen, a former Tory cabinet minister, said Mr Major must "add to" his acknowledged strengths of amiability and decency. "He is now in a situation where amiable manners and an engaging classlessness is simply not enough," he said in the London Evening Standard.

Members of the government lined up to pledge their support for the prime minister as speculation about a possible leadership challenge this autumn rumbled on.

Mr John MacGregor, transport secretary, said it was "ridiculous" that prominence was being given to "totally unfounded rumours of cabinet splits, soundbites from the same handful of backbenchers and hype about minor incidents."

Sir Norman Fowler, the Conservative chairman, said the party backed Mr Major and wanted him to "remain our leader".

Mr Major's future may well be determined by his success in swinging the party rank and file behind his leadership at next month's conference.

MANAGEMENT: THE GROWING BUSINESS

In a Nutshell

New credit union takes shape

A new business credit union has been formed by more than 400 small businesses in North London with the assistance of a £30,000 injection from the North London Training and Enterprise Council, writes Lisa Wood.

The companies, many of them micro-businesses, already belong to the North London Enterprise Club. The members believe in self-help and the organisation of their own borrowing requirements is a logical step, said the Tec.

The credit union is not for profit, charging interest at 1 per cent per month with loans to be repaid over 24 months. The maximum loan available is £10,000.

Enterprising launch for new magazine

The small business market has proved a difficult one for magazine publishers. A big obstacle has been the refusal of business owners to see themselves as part of a small firms "community". Most define themselves in terms of their sector of activity – as wine bar owners, software businesses, and the like.

The latest attempt to break into this market comes in the shape of Enterprise, a monthly costing £2. Subjects in the first issue include raising finance, getting paid on time, and the value of market research.

Hiring a locum personnel officer

Small companies in south-east London which do not have a full-time personnel officer can now use a new locum service to buy in expertise.

The service, launched by Solotec, the South London Training and Enterprise Council, will offer expertise on issues such as employment legislation, staff development, performance appraisal and industrial relations.

Just don't ask us to pay for it

President Clinton's health reform is one of a number of sore points for small companies, writes George Graham

Associated Press

Unconvinced: small business people met Bill Clinton in a Washington hardware store last week to discuss health reform plans

Once upon a time, Governor Bill Clinton of Arkansas was the only governor ever to have received the "Guardian of Small Business" award from the National Federation of Independent Business, a 600,000-member organisation that is the US's most vocal, and probably most powerful, small business lobbying group.

After eight months at the White House, however, President Clinton has crossed swords with the NFIB on a string of issues, most notably a bloody combat over his budget bill.

Although he has maintained significantly warmer relations with a number of more moderate groups, Clinton is embarking this week on a further battle that seems likely to unite the small business lobbies against him. All of them seem set to oppose a core element of his health-care reform plan: a requirement that all employers offer health insurance to their workers and pay 80 per cent of its cost.

Small business has been a mantra in Clinton's political career, and it remains a strong theme for his administration. Cabinet members, and Clinton himself, are fond of observing that 85 per cent of jobs created in the past 12 years have been in businesses employing fewer than 50 people.

Clinton came to office proposing a package of fiscal incentives, including a 50 per cent tax exclusion for long-term investments in start-up businesses and a targeted investment tax credit intended to spur investment in new plant and machinery.

While some of these measures fell by the wayside during the long battle in Congress, the final budget passed in August still included a limited reduction in capital gains tax on start-up investments in small businesses, as well as an increase from $10,000 (£6,500) to $17,500 in the limit on the amount of assets that can be declared as expenses in the year of acquisition, rather than depreciated.

The White House has also taken steps to encourage bank regulators to loosen their standards for banks lending to small businesses, and has made a proposal for setting up community development banks to support local businesses, following the much-publicised example of South Shore Bank in Chicago.

But many of Clinton's main campaign pledges run headlong into small business interests, even though in many instances the reaction may be more from the gut than from a precise analysis of the pain they would inflict.

The Family and Medical Leave Act, which obliges employers to give workers leave for the birth of a child or to care for a sick relative, was the first bill Clinton signed into law after taking office.

Although it specifically exempted businesses employing fewer than 50 people, the act provoked howls of rage from small businesses, partly because word had not filtered out about the exemption, partly because business owners feared that once the principle was established, the reach of the legislation would gradually be extended to them, too.

The White House then ran into another barrage over its budget bill. Opponents contended that the marginal tax rate for all partners and sole proprietors, as well as so-called "subchapter S corporations", which pass their income directly through to a small number of shareholders, would rise from 32 per cent to 46 per cent.

The debate was fuelled by David Hale, chief economist with Kemper Financial in Chicago, who said that 89 per cent of all tax returns with significant business income, including these different categories, now file under the personal tax code. He further argued that more than 60 per cent of subchapter S income goes to people who would be hit by the higher personal tax rates imposed in the Clinton budget.

Erskine Bowles, head of the Small Business Administration – the government department responsible for providing assistance and loans to small businesses – countered that 96 per cent of the 7m taxpayers whose primary source of income is a partnership, proprietorship or subchapter S corporation would be unaffected by the increase in marginal tax rates.

The average income of the 4 per cent who would be affected, he added, was $560,000 a year.

"It is a bogus issue. It's not a small business issue. What it is, is a rich person's issue," he snorted.

Clinton faces the same problem in his health care reform: opposition to the employer mandate promises to be fierce, even though the great majority of businesses already provide health insurance to their employees.

A survey of small and medium-sized businesses conducted in April by Arthur Andersen and NSBU found that 99 per cent of companies with 100-499 employees offer health insurance, as do 94 per cent of those with 20-99 employees. Even among businesses with 19 or fewer employees, 54 per cent offer health insurance.

The survey also found that the average increase in health insurance premiums over the past year was 22 per cent, suggesting that Clinton ought logically to be able to win over at least some business owners with the promise of reduced medical costs.

But at a carefully staged event with small business people in a Washington hardware store last week, Clinton was still not able to convince the participants.

It is an argument that he must win if Congress is not to start giving small businesses the same exemption from providing health insurance that it gave on family leave – an exemption which could destroy his efforts to ensure universal coverage.

Ian Rodger on a company that spurned the advice of consultants

Up and up for Schindler

Here is a story to warm the hearts of management consultant sceptics. In 1985, Schindler, the Swiss elevators and escalators group, called in some consultants to assess its escalator business.

At the time, Schindler was a minor player, active mainly in the European market and with a world market share of less than 10 per cent.

The consultants told the family-controlled group to give up. The escalator business, like so many other specialised engineering sectors, was going global. Schindler lacked critical mass and could not catch up with Otis and other better established groups, they concluded.

Alfred Schindler, who had just taken over as chief executive, felt otherwise. "It is not our style to drop out of a business," he says.

The group then set out systematically to build up its position to a sustainable level. The landmark events were fairly predictable – streamlining of the group's European escalator manufacturing plant in Vienna, rebuilding a depleted market position in the US after taking over the Westinghouse elevator and escalator business in 1989, and plunging into China with three joint ventures.

The result: last week, Schindler announced that it had become the world market leader in the escalator business with a share of more than 20 per cent.

Schindler is a fairly secretive group – partly because the sectors in which it operates are marked by fierce competition among only a few global groups – so the whole story of how this success came about will not be told here. Alfred Schindler nevertheless points to some interesting lessons.

Yes, a considerable amount of investment was required, but money was not the crucial factor, he insists. No, this project was not the sort of long-term payback venture that only a family-controlled company could take on, although a public one might have difficulty getting shareholders to accept it.

"We raised the stakes as we went along. The opportunities in the Pacific region developed much faster than we expected," he says.

"Much more important was getting organised in a global way." The escalator business, like many other specialised industrial product sectors, involves a constant chase after big contracts in open competition. Airports, shopping centres and underground railways are the main customers.

Often, time is of the essence, and Schindler has worked hard to develop a single product line and a network of loyal subcontractors throughout the world. The idea, one pioneered by Caterpillar Tractor several years ago, is that its products can be manufacturered in any of its plants.

"The advantage we have is that market needs are not tied to a particular plant capacity," says Peter Zbinden, president of the escalator division. "We can adjust to whatever speed of delivery is required."

Zbinden said speed was particularly important in winning contracts for the Kansai airport project in Japan and a recent expansion of the Atlanta airport.

Schindler says the other important factors were emphases on training and efficient, high-quality production. "We had a lot of specialists in Europe. We sent them to the US for long periods, even welding specialists, and then did the same thing in China."

The company put a big effort into improving output at a factory for making escalator steps in Ternitz, Austria. Now competitors buy their steps from this factory, too, and a few have insisted on buying equity stakes in it for security.

"It is also very important to work hard and not talk about it," Schindler says. "We are often criticised for being too discreet. But in the military, you never say anything, unless it is to mislead the enemy."

Postscript: It is well known that Schindler frequently employs the Boston Consulting Group. Schindler wishes to make clear that BCG was not the unfortunate firm used in this case.

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for

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Ministry of the National Economy of the Hellenic Republic
Secretariat of Support for the Touristic Ports
Office 215
5-7 Nikis Street
Syntagma Square
101 80 Athens
Greece
Telephone No: +301 333 2039
Facsimile No: +301 323 0801

Inquiries may be made in person at the above address, but only between 11.30 a.m. and 2.00 p.m., Monday to Friday.

The Request for Proposals contains information for the three Marina Properties noted above. Prospective bidders may submit Proposals for any or all of the Marina Properties.

Proposals must be submitted at the above address no later than 5.00 p.m. Greek Standard Time on 22 October 1993. Those who register with the Secretariat of Support for the Touristic Ports, Ministry of the National Economy, by their written expression of interest in receiving a copy of the Request for Proposals may seek clarification of its contents and submission requirements until 8 October 1993.

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For further information contact the Joint Administrative Receiver, Myles Halley, KPMG Peat Marwick, Spencer House, Caltonville Road, Northampton NN1 5BU. Tel: 0604 34480. Fax: 0604 32297.

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For further details, please contact Richard A. Smart or Stephen J. Hall at Coopers and Lybrand, Churchill House, Churchill Way, Cardiff CF1 HXQ. Telephone: 0222 237000. Fax: 0222 345626.

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TECHNOLOGY

Genetic food for thought

Is there a hint of cannibalism about eating an animal that has been genetically engineered to include human genes?

Should a Moslem or Jew avoid meat from a cow that includes pig genes? Can vegetarians eat plants containing animal genes?

Such questions may sound like absurd moral speculation. But biotechnology is moving so fast that the world's religious and ethical thinkers will soon have to give practical advice on genetically modified foods.

Some preliminary advice came yesterday from the UK government's Ethical Committee on Genetic Modification of Food. It found "no overriding ethical objections" to foods incorporating copies of human genes, but recommended that products containing human and other "ethically sensitive" genes be labelled clearly to allow consumers to make an informed choice.

The committee of six was chaired by John Polkinghorne, president of Queens' College, Cambridge, who is an ordained scientist. It consulted widely among different religious groups and others who feel strongly about food purity.

Its report concludes that a human gene inserted into another species should not be regarded as human material. This is partly because what is transplanted is not an original human gene but a copy of one – and, to make the point, the committee uses throughout the report the cumbersome phrase "copy genes of human origin".

In any case, the report says, the gene loses its human character outside the context of a human cell.

Experimental transgenic animals with human genes already exist – for example sheep that make Factor IX, the blood-clotting protein, for haemophiliacs.

Such animals are far too valuable to reach the meat market today. But surplus transgenic sheep – those that do not make enough human protein for pharmaceutical use – may be sold for food at some point in the future.

Clive Cookson

** Report of the Ethical Committee on Genetic Modification of Food, HMSO, £7.95.*

Prints charming

Paper, long the Cinderella of the high-tech office, is about to go the ball after all, writes Tom Foremski

The "paperless office" promised by computers has become a joke. Yet Xerox, best known as a manufacturer of copiers that add to the deluge of documents, aims to have the last laugh.

Rather than eliminating paper, Xerox has developed technology that incorporates computer instructions into paper documents in an almost invisible format. Known as Glyph, it promises to bridge the gap between computerised office systems and paper documents and could change the way paper documents are treated.

Usable Glyph technology became available in a limited form last year in a product called PaperWorks. The United Nations Children's Fund (Unicef) is using it to keep in contact with far-flung staff around the world.

Working in remote and often primitive locations presents Unicef staff with a communications problem. Power-supply difficulties make it not worth their while having portable computers, which are anyway expensive, and there is often an inconvenient time-difference with headquarters in New York.

With PaperWorks software installed on an IBM or compatible PC at headquarters, Unicef staff who come across a fax machine can send a special Glyph-encoded form to the fax-card in the PC. By marking up the form with a pen or pencil, they can indicate what they want done from a number of possible options.

Once the computer receives the form, it carries out the instructions. These may be to retrieve any messages addressed to the caller or look up and transmit data to the caller, or to route documents to other PCs.

If the field-workers do not have a Glyph form with them already, they can obtain one by faxing a blank sheet of paper to the PC. Unicef says that the system works well and plans to extend its use.

After filing a series of patents protecting the Glyph technology, Xerox has lifted a veil of secrecy and says it will soon announce licensing deals with software firms, office equipment manufacturers and large corporations which are struggling to manage paper document mountains.

"The question is not whether we will do away with paper but how to find the best way to integrate it into the office," says Paul Ricci, president of Xerox Advanced Office Document Services.

Ricci explains: "There is a serious productivity issue in the office and paper is largely disjoined from the electronic world. Xerox, with its focus on documents, has been seeking ways to bridge the two worlds."

Glyph technology was developed over a four-year period by the Xerox Palo Alto Research Centre (Parc).

"WHAT'S THE GLYPH FORMULA FOR 'HELP'?"

This is the institution that pioneered most of current desktop technology such as PC graphical user interfaces, laser printers, Ethernet networking and object-oriented software.

Glyph uses tiny diagonal marks on paper arranged in lines within a rectangle, rather like a miniature barcode. In documents produced for use by the scanners in conventional fax machines, which work at lower resolutions, they can clearly be seen but are unobtrusive.

In documents that can be scanned at higher resolutions, the diagonal marks look like a uniform grey field which can be incorporated within a logo or other image, so that readers will not find them ugly or distracting. Yet even these "hidden" marks can be read by specially equipped fax machines, scanners and computers and then translated into computer instructions.

Glyph technology could revolutionise paper use, says Paul Saffo, research fellow at the California-based technology think-tank Institute for the Future. "The problem with paper is that once you print a document, its information is like a fly trapped in amber. With Glyph technology, it becomes a two-way trip. It can also help with problems in managing huge amounts of information, since you can embed hypertext connections that link the paper document with related information in large databases."

A printout of a spreadsheet to be used in a presentation could have formulae embedded in it. If the client then wanted to see how the figures looked on different growth and inflation assumptions, the page could be scanned in to a PC and the data manipulated on the spot.

However, Saffo cautions, the large number of potential applications for Glyph, and its versatility, may make it difficult to market. "With foundational technology such as Glyph, it's difficult for us to imagine all the ways it can be used, because it can be applied in so many ways."

Xerox will shortly introduce a software development kit that will allow business applications to access Glyph technology. But to fully realise Xerox's vision of "smart paper", computer and office equipment manufacturers will have to add Glyph-recognition capabilities.

This will require improvements in fax scanner technology and it may take two years before such products are available.

Ricci says that Xerox is offering attractive licensing deals to help establish Glyph as an industry standard, which will help keep down the price of Glyph-compatible equipment. In the meantime, Xerox will integrate Glyph technology into its products.

Software giant Microsoft is interested in using Glyph as a key part of its "Microsoft at Work" concept that was announced in early June.

Microsoft At Work will consist of software and hardware that will link office equipment such as fax machines and copiers to computer networks.

Xerox is developing a multi-function device combining fax, photocopier and scanner, and integrating Glyph technology and the Microsoft at Work architecture. The device is to be introduced in 1994.

Xerox envisages a wide range of applications for Glyph and is talking to several big companies. Ricci declined to go into detail, but mentioned that one key application being discussed is using Glyph technology in credit cards to help improve security and cut down on fraud.

Xerox is also developing sophisticated optical recognition technologies that use artificial intelligence to understand printed words and distinguish image areas.

With these technologies, Xerox's goal is to rescue paper from its derided role as voluminous by-product of the digital world and give it a starring role instead.

Custom-built toys for pen pushers

Alan Cane profiles Telepad, which has big plans for pen computers

Who needs a pen computer? Everyone who can write, to believe the razzmatazz over Apple's Newton, Eo's personal communicator, Grid's Gridpad and other electronic personal assistants.

In practice, innovative devices of this kind are finding favour first with a smaller but no less demanding audience: agents, salespeople and inspectors whose job means hours on the road and quantities of data to be analysed and relayed to headquarters.

Pen computers have no keyboard. Their users write directly on the screen using a special stylus. The computer's software records the handwritten input either as the original drawing – a sketch map or a signature, for example – or translates handwriting into alphanumeric characters.

Insurance companies, engineering concerns and inspectors are already sending out their staff armed with machines built by Grid and IBM of the US and NEC of Japan among others.

The machines are not perfect. Persuading a machine to recognise the scrawl that passes for most people's handwriting is not easy. "Pen computing will be a horizontal market – but not yet," muses Ron Oklewicz, president and chief executive of Telepad, a three-year old US computer company based in Reston, Virginia.

What he means is that while pen computing is not yet sufficiently flexible or reliable for universal use, it has ready applications in niche areas – field force computing being the obvious example.

Oklewicz's company seeks to exploit the gap between the potential of pen computing and the reality of building reliable systems based on novel technology.

Telepad is still in its development phase. It raised $9m (£5.8m) through a public offering resulting in a Nasdaq listing on July 15 and is in many ways a model for the computer company of the future.

It is a "virtual" company, only 32 people strong and fleet of foot. It relies on other organisations for product design and manufacture. Its eponymous product, the Telepad, a foot-square polycarbonate-cased screen selling for between $2,400 and $3,000, is manufactured for it under contract by IBM, in one of the first examples of the industry giant's new policy of selling its skills to third parties.

The physical design of the device was entrusted to two US design shops, GVO of California and Edge of Philadelphia. Warehousing and physical distribution are handled in the US by LMI of Memphis, Tennessee, which also takes responsibility for repairing broken machines.

Much of the technology in the Telepad is off-the-shelf. It will run all the most popular industry operating systems, for example: Windows, OS/2, Penwrite, Go and Pendos.

So how does Telepad reckon to differentiate itself from the competition? It claims to be one of the first systems integrators in the pen computing business, putting together hardware, applications software and telecommunications in a package customised to the exact needs of the user.

This puts it in a different category from companies like Apple which are chiefly concerned with selling innovative hardware. Oklewicz, a former manager of Apple's federal systems division, does not see the Newton as competition. IBM, on the other hand, "is perpetual competition, but it is opening up the market".

Some prestigious customers are already shopping there. The US Air Force, one of the world's largest buyers of computer equipment, is spending $1m on Telepads for staff inspecting radar installations.

A US police force is using Telepads to replace 14 separate accident report forms by one electronic entry.

Miniature cameras, or radio devices which communicate with satellites to pinpoint the user's geographic position, can be linked to the device.

Telepad, however, not only provides the hardware and the communications – it also develops the necessary information-processing software.

A store chain, for example, recording its inventory on Telepads could transmit the data to head office over the telephone or radio links for analysis.

PEOPLE

Sir William Ryrie to join Barings

Sir William Ryrie has chosen the central role for what looks like being an active life back in London following his retirement as chief executive of the International Finance Corporation, the private sector finance arm of the World Bank.

Sir William, a former second permanent secretary to the Treasury who devised the "Ryrie rules" which govern investments by nationalised industries, is to spend three days a week helping to develop Barings' international businesses.

The appointment will include a seat on Barings' main board. Sir William will devote most of his time to encouraging Barings' ventures in emerging markets such as the Asia Pacific and Latin America.

Sir William, who is 64 and took over as IFC chief executive in 1984, has developed IFC lending to an expected $2.4bn this year despite some overlap with the relatively new European Bank for Reconstruction and Development.

Sir William said yesterday that flows of investment from Europe and the US had grown continuously over the past decade and there was "no doubt barring some extraordinary catastrophe that they will be the strongest markets in coming decades.

"It will be nice to come home," said Sir William, who expects to be appointed to "one or two other boards" in addition to his role at Barings. He hopes for a "little less vigorous life" than at the IFC, despite the appointments.

Andrew Tuckey, Barings' deputy chairman, said the bank hoped that Sir William would provide particular impetus to securities distribution in emerging markets as well as helping to develop primary issue and corporate finance activity.

"To some degree he will have an ambassadorial role, but we also want him to contribute to hard decisions about what markets we should be in or issues such as whether we should develop business by taking on local partners," he said.

- **Tony Doyle**, formerly finance director, has been appointed md of Welwyn Systems, part of the TT GROUP.
- **Martin Kelly**, formerly md of Elliott Medway, has been appointed md of Crosby Kitchens, part of NORCROS GROUP.
- **Richard Barnes**, formerly chief financial officer, has been appointed group finance director of WATERFORD WEDGWOOD.
- **Gavin Young**, group legal adviser, has been appointed secretary of SIMON ENGINEERING; he succeeds James Burkitt who has resigned.
- **Brian Sweeney**, former head of Arthur D. Little's downstream oil consulting practice, has been appointed business development director of ROLLS-ROYCE INDUSTRIAL POWER GROUP.
- **Keith Bushnell**, formerly finance, export director and company secretary, has been appointed marketing director of SYNTEX in the UK.
- **Johan Kramer**, formerly marketing and sales director of Eternit based in Brussels, has been appointed marketing director of WICKES' continental companies in Belgium, the Netherlands and France.
- **Bob Graham**, formerly retail operations director of Habitat, has been appointed to the same position at SPECIALEYES.

Police inspectors

A 137-year tradition will end next month when two businessmen join Her Majesty's Inspectorate of Constabulary.

All previous members of the inspectorate, which monitors police standards and encourages improvements in efficiency, have been former chief constables. The appointment of Anthony Williams and Peter Hobbs is part of the government's Citizen's Charter drive to demonstrate the independence of inspectorates.

Hobbs, 55, joined the Wellcome Foundation from ICI in 1979, and was until recently group personnel manager of Wellcome plc. He was the first chairman of the Employers Forum on Disability, and has twice served as international vice-president of the Institute of Personnel Management. Wide-ranging involvement in education and training initiatives includes the chairmanship of the Learning from Experience Trust.

Williams, 57, a qualified occupational psychologist, is a partner in Hay Management Consultants. He worked on selection procedures for the police, fire service and civil service while at the Civil Service Selection Board. His has also been personnel director for the World Bank.

On a practical level, ministers hope that the two newcomers' outside experience will contribute to current attempts to improve managerial efficiency in the police service.

Changing chairs in Vocational Qualifications

Education and training enthusiast Michael Heron, chairman of the Post Office, has been appointed chairman of the National Council for Vocational Qualifications which, over the past few years, has been developing competence-based vocational qualifications.

He replaces Sir Bryan Nicholson who is leaving at the end of his three-year term and who becomes president of the CBI from April 1994.

Sir Bryan, a skilful negotiator, has been an enthusiastic chairman of the NCVQ, using his skills of persuasion to gain greater acceptance for national vocational qualifications.

According to Ann Widdecombe, the employment minister, under Sir Bryan's leadership the NCVQ had made "excellent progress". She also said that Heron's background, experience and commitment to education and training made him ideally qualified to build on the achievements of his predecessor.

Heron has had both a strong professional and personal commitment to training. Before joining the Post Office in January, he was director in charge of personnel worldwide for Unilever. He is deputy chairman and a member of the board of Business in the Community *(pictured in that capacity right)* and was recently appointed vice chairman of the National Advisory Council on Education and Training Targets. Made up of senior business leaders and academics, Nacett's role is to oversee progress towards the attainment of the very same NVQs that the NCVQ has been developing.

BUSINESS AND THE LAW

Keeping ahead of the game

The Financial Law Panel plans to act, rather than react, says **Robert Rice**

The Financial Law Panel was set up on the recommendation of the Bank of England's Legal Risks Review Committee to help solve problems of legal uncertainty said to be threatening London's future as an international financial centre.

To many outsiders its creation was a sign of weakness, confirmation that London had a problem. But to Colin Bamford, the panel's new chief executive, it meant quite the reverse.

"I think it is a sign of the great strength of the English system. It has been seen as a weakness because of the Hammersmith and Fulham swaps case. People said 'Oh dear, English law can't cope'. But the same would have been true about any other jurisdiction. It's just that the problem materialised here."

It was the House of Lords' 1990 decision in the Hammersmith and Fulham case which led to the creation of the Legal Risk Review Committee.

The Law Lords ruled that swaps contracts between banks and local authorities were invalid because local authorities had never been empowered by government to carry out swaps. The swaps contracts were therefore *ultra vires*. Banks, many of them foreign, were outraged at being unable to enforce the contracts.

In general, Mr Bamford believes concern that legal uncertainty is undermining London's position is overdone. English commercial law is the most advanced in the world, he says. If there is a problem with legal uncertainty it affects all legal systems equally.

Huge markets are growing up in very quick time. The trouble is that legal systems tend to be reactive, he says. They don't anticipate problems and everybody is only too aware that, given the size of these new markets, the first time a problem arises its impact could be catastrophic.

The panel was set up precisely to try and anticipate where problems might arise. So it is a positive move, he says, which shows that at least the English system is addressing the issue. No one else has a similar type of body – yet.

When the panel was proposed Lord Alexander, the former Bar chairman and chairman of NatWest who headed the Bank's review committee, said he envisaged it evolving into a body like the Takeover Panel, giving informal advice to firms about the legality of financial transactions they might be contemplating.

Its judgments would not have the force of law but Lord Alexander said he hoped they would carry weight if they came to court. Lord Justice Hoffmann, a member of the review committee, had told him he thought the courts would give weight to the panel's decisions.

Colin Bamford: legal problems are worth worrying about before they arise

But Bamford, a 42-year-old City solicitor with a commercial banking background, sounds a note of caution. The panel will have to earn the respect of the courts first and that will take time. The only precedent is the Takeover Panel, which took 10-15 years to acquire that level of authority.

He also says that the Panel will have to be careful not to usurp the role of the courts, particularly in areas which might involve white collar crime. But it will be able to provide guidance as to best practice in the absence of specific guidance in the legislation.

All that, however, is for the future. In its first year of operation the panel is unlikely to be in a position to consult widely and disseminate best practice on problems brought to it at this stage because one consequence of the Bank's review committee was that by the time it was set up it had a ready made agenda.

Three or four years down the line, the Panel may operate on a different pattern, he says, but for the first year at least everything it looks at will be drawn from a list of problems presented to Lord Alexander's committee during its review.

The panel has identified 11 areas of concern on which it will concentrate over the next 12 months and has already formed working parties to look at two problem areas – shadow directorships and banks taking security over cash.

The market needs a definitive view on taking security over cash because at the moment it is getting different advice from different lawyers, says Bamford. He has chosen a working party of high-powered lawyers: Professor Roy Goode, Philip Wood of Allen & Overy, Francis Neate of Slaughter and May and Michael Crystal QC, to look at the issue. He chose them on the basis that whatever they say should carry weight with lawyers whichever side of the debate they are on.

He has also identified three big potential problem areas for early attention: *vires*, looking not only at local authorities and swaps but also at a whole host of associated problems and uncertainties relating to building societies, insurance companies and public bodies; fiduciary duties – a very large and highly complex issue at which the Law Commission is also looking; and netting.

Netting is an area where if problems arose, consequences for the markets would be enormous, says Bamford. The Bank's committee received submissions from the foreign exchange, bullion, derivatives, money and securities markets stressing the importance of netting and set-off on insolvency.

At its simplest level, netting involves the set-off of reciprocal obligations between transaction costs. When it works effectively, is recognised by the counterparties and is designed to reduce insolvency exposures, capital requirements can be greatly reduced since the credit and liquidity exposures of participants are also reduced.

The problem is that while netting has always been accepted as a basic principle of English insolvency law it is not accepted as a basic principle in the US and in mainland Europe, although America has recently passed legislation to allow it, so that it can bring its capital adequacy rules into line with England's.

"It's not that there is a legal problem," Bamford says. "It's just that the consequences if there were one would be so enormous. If you had a collapse in one of the big markets and someone discovered that the netting of operations across the market didn't work the way everybody thought that they would, the implications would be absolutely staggering. So it merits worrying about even though there is nothing wrong at the moment," he says.

When the worrying has been done by the various working parties and by Bamford and his team of seconded lawyers, their deliberations on the issues will then be considered by the full panel, chaired by Lord Donaldson, former Master of the Rolls. In general, Bamford expects the 15 panel members to play a monitoring role, ensuring its work is going in the right direction.

He also expects the panel to be a success. If it is, he says, it will be interesting to see, by the time he hands over to his successor three years from now, whether the Americans have followed suit and set up a panel of their own.

Handle with care

A H Hermann on some pitfalls of foreign trade under the Vienna Convention

The United Nations Convention on Contracts for the International Sale of Goods concluded in Vienna in 1980 – better known as the Vienna Convention – is the biggest success so far achieved by inter-governmental attempts at unification of commercial laws.

The convention has been ratified or accepted by 34 countries and signed by an additional four (see box, right). The secretariat of the UN Commission for International Trade Law (Uncitral) hopes the number of countries incorporating the convention into their law on foreign trade will ultimately reach 50. Already its acceptance is wide, embracing most trading countries of importance, with the exception of Japan and the UK.

The reach of the convention goes far beyond the ratifying countries. Almost all of them will apply the convention to all contracts governed by their law, even if the parties to the contract, or one of them, are based in a country which has not adopted the convention. China, Slovakia and the US will apply the convention only if both parties are in countries which adhere to it. The Nordic countries will not apply the convention to contracts where both parties are within their area, preferring to treat these as domestic contracts.

In contrast with previous such international pacts, the convention applies automatically, without requiring the contracting parties to mention it in the contract. It is, no doubt, of great advantage to traders in countries which have no proper commercial laws of their own and it has been drafted with particular regard to the interests and requirements of developing countries.

As an effective instrument of harmonisation and simplification of law the convention may also prove useful to traders in industrialised countries, but only if handled with care and awareness of its pitfalls. If the other party agrees, these can be avoided at a stroke of the pen, by putting in the contract a clause opting out of the convention.

Where it is impossible or undesirable to opt out of the convention altogether, it is possible to overrule most of its undesirable provisions by means of explicit clauses of the contract – but to do that it is necessary to know the convention.

There is, however, one article of the convention which cannot be overruled by agreement of parties to the contract. This is Art 12, which safeguards the position of those countries that made a declaration that they only recognise contracts, their modifications or termination, when these are made in writing. Such declarations were made by Argentina, Belarus, Chile, Hungary, Ukraine and the USSR (now the Russian Federation).

VIENNA CONVENTION

Convention ratified by and automatically applicable in:

- **European Community:** Denmark, France, Germany, Italy, Netherlands, Spain
- **Efta and Scandinavia:** Austria, Finland, Norway, Sweden, Switzerland
- **Ex-communist Europe:** Belarus, Bulgaria, Hungary, Romania, Russian Federation, Slovakia, Ukraine, Yugoslavia
- **North America:** US, Canada (most provinces)
- **Latin America:** Argentina, Chile, Ecuador, Mexico
- **Middle East:** Egypt, Iraq, Syria
- **Far East:** Australia, China
- **Africa:** Lesotho, Uganda, Zambia, Guinea

Convention signed but not ratified by Poland, Singapore, Venezuela

These are some of the convention provisions which deserve particular attention – and possibly modification by the contract:

- Anticipation of breach: Art 71 of the Vienna Convention provides that a party may unilaterally suspend the performance of its obligations until provided with "adequate assurance" if it "becomes apparent that the other party will not perform a substantial part of his obligations..." This leaves the supplier at the mercy of the buyer both in respect of what is "apparent" and what is "adequate".
- Cure: Art 48 gives the seller the possibility of curing "any failure to perform his obligations", even after the expiry of the time fixed for their performance, as long as he will not cause the buyer unreasonable inconvenience, expense and delay. The seller can also ask the buyer for extra time and go ahead with the late performance if no answer is received.
- Damages: The convention opens the door to unnecessary disputes, limiting, in Art 74, damages to levels which do "not exceed the loss which the party in breach foresaw or ought to have foreseen..."
- Force majeure: Art 79 protects the party impeded by *force majeure* against damages without providing for avoidance of the contract and, in the case of a temporary impediment, leaves the entire burden on the impeded party.
- Fundamental breach: Art 25 makes the contract voidable only if the substantial consequences of the breach were or could be foreseen by the person in breach.
- Interest: Art 78 makes interest on overdue debts obligatory but is silent on how to calculate it.
- Interpretation: Art 8(2) takes the intention of a party into account only so far as its expression would be understood by a reasonable person of the same kind as the other party.
- Ownership: The convention has no provisions on the passage of the title to the goods from the seller to the buyer.
- Passage of risk: Art 68 makes the buyer of goods in transit bear the risk only from the conclusion of the contract, rather than from the time the goods were handed to the first carrier.
- Price reduction: Art 50 allows the dissatisfied buyer to reduce the price unilaterally, without sufficient safeguards for the seller.
- Specific performance: The convention gives priority to a court ordering specific performance rather than awarding damages, even in a case where the aggrieved party could have been expected to make a substitute contract. Common law courts are not bound by this rule by virtue of Art 28.
- Stopping goods in transit: Art 71(2) allows the seller who suspects that the buyer became insolvent, to prevent the handing over of the goods dispatched earlier even if the buyer holds a document which entitles him to obtain them. This may cause problems if the goods were transferred by means of the document to a third party absolutely or as a surety.
- Substitute transaction: Art 76 provides that the current market price should be taken as at the time of the contract avoidance, rather than as at the time when the performance was due (as according to the UK's Sale of Goods Act).

Theatre

'Forger' plea for Plymouth

The Arts Council is now considering cutting its entire grant to the Theatre Royal, Plymouth unless a response from the Plymouth region can persuade it otherwise by September 22. The theatre has already coordinated a campaign of 90,000 signatures and 6,000 letters. The quality of recent performances and the quantity of local response should allow the Council to vote a reprieve without losing face.

The Theatre Royal's most recent play, *Master Forger* (in repertory until 25 September) starts an autumn season which tables the dependable *Les Liaisons Dangereuses* alongside the innovative *The Doctor and the Devils*, a play by Dylan Thomas about Burke and Hare. The Theatre Royal's Drum Theatre offers a line in modern classics and midwinter pantomime. The balanced programme and sensible scheduling includes visits from the Welsh National Opera, Glyndebourne Touring, London Contemporary Dance Theatre and The Birmingham Royal ballet. This breadth makes Plymouth a valuable resource for dance, opera and theatre in the South West.

Master Forger is a fine new play by Hugh Janes based on the life of the artist Tom Keating (1917-1984). Keating became famous in 1976 for forging Samuel Palmer's paintings. But he also forged over 2,000 others. These "Sexton Blakes", slang for "fakes", as he called them, included Degas, Goya, Modigliani, Rembrandt, Sisley, Van Gogh and Vuillard. But he was best at J.M.W. Turner, another consummate professional who was capable in a visit to Venice of turning out 300 sketches in three days.

In 1977 Keating was charged with conspiracy and fraud in relation to sale of paintings, and early in 1979 the trial, which The Observer described as "the best free show in town" began. Charges against Keating were dropped before the spring. Inside five years, he was a national hero, advising on TV and venting his anger against an art establishment which used money alone to value art.

The play, directed by Roger Redfarn, sticks to the surface of Keating's colourful life like the formaldehyde-varnish he used for ageing paintings. Roy Marsden as the bohemian cockney delivers a fine performance which shows how the artist was in some sense possessed by the Old Masters, and how his promiscuous reading emerged as a series of lectures in court: "The only thing that amazes me is that I wasn't exposed in the press a lot sooner." Marsden's voice is superb, ringing around the revolving set, pleading with the audience, imparting information or directing models.

Fakes are the way forward. Umberto Eco's *Faith in Fakes* has a scene where a California sculpture garden shows the Venus de Milo with both arms. Maybe now she can write to Arts Council on behalf of Plymouth.

Andrew St George

Master Forger in repertory until September 25 (0752 267222)

Artists: made in America

William Packer looks at the later period of the two current US exhibitions and finds it wanting

American Art in the 20th Century, installed at the Royal Academy and the Saatchi Gallery for the autumn, manages to be at once highly questionable in its partiality and deeply conventional in its general view, an unusual polarity. As to the former aspect, here we have what purports to be a true and definitive survey, the American chapter in the Academy's on-running study of our century's art, country by country. Yet it blithely asserts that America's engagement with the modern movement began only in 1913, with the Armory show in New York, as though American artists until then knew nothing and cared less of the European art of the previous 50 years, of Degas and Manet, Monet and Cézanne, Gauguin, Picasso and Van Gogh.

So it goes on, for if you can ignore Whistler or Sargent at the beginning, there is hardly a problem with forgetting American realism between the wars, with its inconvenient reminder, uncomfortable thought, that all art is modern art in its time, and the *avant-garde* not set on rails. It is just so again later on, through the post-war period and on to our own time – no Milton Avery, Diebenkorn, Morris Louis, no Nevelson, Poons, Kienholz, Segal, Close. But none of this would matter a jot if the selectors, Norman Rosenthal of the Academy and Christos Joachimides of the Zeitgeist-Gesellschaft of Berlin, had only had the nerve to parade their partiality, and to argue its case.

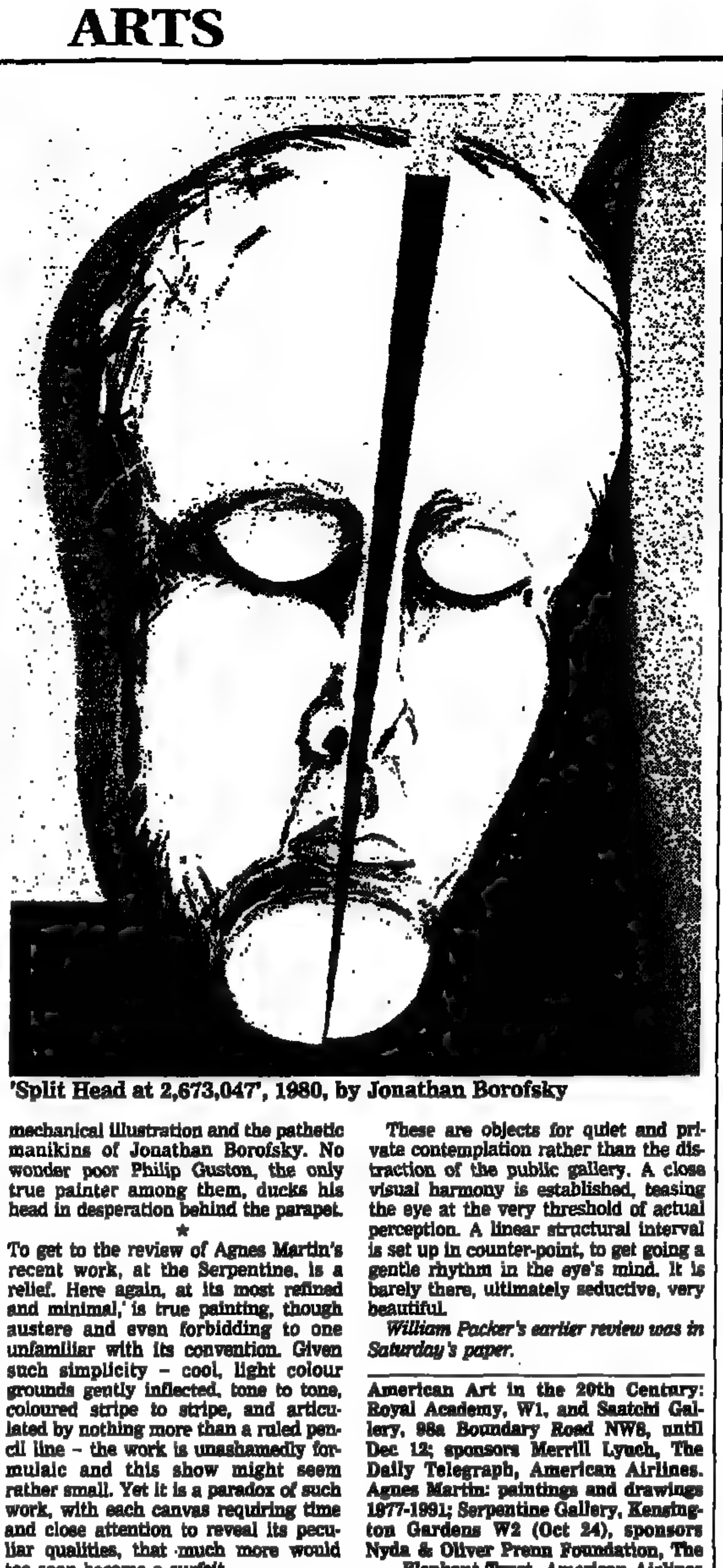
But no: theirs must be the disinterested survey of the true course of American modernism, and final judgment on what is significant and, by simple omission, what is not. It is a large claim and, in relation to particular artists and their achievement, not one to be lightly dismissed. The case is especially strong with the early and central phases of abstract expressionism, at times magnificently displayed, with Arshile Gorky and Jackson Pollock in the 1940s, and Willem de Kooning and David Smith in the 1950s and 1960s, all of them clearly major figures. Further on the case is as well made, if more succinctly, with the minimalism of Ellsworth Kelly, Frank Stella, Agnes Martin and Richard Serra.

But even this is only well-established, conventional stuff, the reading of American art taken at its own critical valuation as passed on by an insistent cultural machine these four decades past. If it does not fit the pattern, leave it out. Early Rothko? Still too problematical. Richard Diebenkorn? A one-off. But for the rest, of course, the American example led the way. At times it has even seemed that if it was not made in America and, more to the point, sold in New York, it was hardly modern art, and Jasper Johns the greatest artist in the history of the Universe.

What is the story, as it is told here? An early engagement with Duchampian Dada jumps the decades to affect the conceptualism and anti-art of the past 25 years or so. Meanwhile, an interest in collage and graphic ephemera is picked up from Picasso only to lie dormant for a generation, to re-emerge, writ large, as post-war American Pop. Before that comes the big one, abstract expressionism, that great climacteric after which painting will never be the same again. And what really was its great and original contribution? Looking to the painterly surrealism of such as Picasso, Ernst and Miró, the influences upon American painters were clear. What could they do to distinguish themselves? Paint it big: better still, paint it vast. *Vive la différence*.

Taken as an opportunity and choice rather than an imperative, this new and more than ample scale in painting represented a genuine development. The canvas was transformed from support into arena, the mark at the brush's end amplified into grand theatrical gesture, and colour itself made palpable and all-enveloping. Painting became an event, a process, a drama, an experience.

The sad misuses of so positive an opportunity are all too apparent at the Saatchi Gallery, which covers the period since 1970. Here, displayed with an ironic elegance, is the betrayal of painting in the name of market fashion and facile reputation. By now anything goes. One mark is as good as another, and the merest indication of an image is taken for its realisation. Here, as painting, we find only the witless crudity of Julian Schnabel, the cynical graffiti of Basquiat, Keith Haring's



'Split Head at 2,673,047', 1980, by Jonathan Borofsky

mechanical illustration and the pathetic manikins of Jonathan Borofsky. No wonder poor Philip Guston, the only true painter among them, ducks his head in desperation behind the parapet.

*

To get to the review of Agnes Martin's recent work, at the Serpentine, is a relief. Here again, at its most refined and minimal, is true painting, though austere and even forbidding to one unfamiliar with its convention. Given such simplicity – cool, light colour grounds gently inflected, tone to tone, coloured stripe to stripe, and articulated by nothing more than a ruled pencil line – the work is unashamedly formulaic and this show might seem rather small. Yet it is a paradox of such work, with each canvas requiring time and close attention to reveal its peculiar qualities, that much more would too soon become a surfeit.

These are objects for quiet and private contemplation rather than the distraction of the public gallery. A close visual harmony is established, teasing the eye at the very threshold of actual perception. A linear structural interval is set up in counter-point, to get going a gentle rhythm in the eye's mind. It is barely there, ultimately seductive, very beautiful.

William Packer's earlier review was in Saturday's paper.

American Art in the 20th Century: Royal Academy, W1, and Saatchi Gallery, 98a Boundary Road NW8, until Dec 12; sponsors Merrill Lynch, The Daily Telegraph, American Airlines. Agnes Martin: paintings and drawings 1977-1991; Serpentine Gallery, Kensington Gardens W2 (Oct 24), sponsors Nyda & Oliver Prenn Foundation, The Elephant Trust, American Airlines

Opera/**Richard Fairman**

New WNO 'Lucia'

Fresh from its success at the Edinburgh Festival, Welsh National Opera is keen not to let the impetus flag. As the season gets underway at the New Theatre in Cardiff, the company has announced the commission of a new opera from Peter Maxwell Davies called *The Doctors of Myddfai* – a mythical Welsh tale about a mystery illness and unearthly medical secrets, to be seen in 1996.

For the time being more mundane matters are at hand. It is not long since WNO last put on *Lucia di Lammermoor*, although a Donizetti evening in which the most notable protagonist is the conductor can hardly be regarded an unqualified success. Thinking back to the company's days in the front line of modernist production styles, one might have assumed that a second try in so short a period was to invite a controversial producer to deliver the full-frontal assault missed last time.

Not so: lovers of bel canto can come out of their bunkers. This new production is virtually non-existent; the singing is left centre-stage. Following on a line of lyric sopranos that has included Caballé and Ricciarelli, Janice Watson turns the role of Lucia into a vehicle for luminous, long-breathed, lyrical singing. Nothing that she has done before has suggested the ease with which she negotiates the high-lying passages in the mad scene, sung with the poise of an expert tightrope-walker.

A period of study for the role in Italy has clearly paid off, though not yet enough to make the coloratura sparkle or the Italian words bite (the narrative aria "Regnava nel silenzio" sounded nice but did not tell a story). Her Lucia is a sweetly vulnerable creature, who skips around the stage, running her hands innocently through her long blond air.

According to a note in the programme her clandestine romance with Martin Thompson's visibly neurotic Edgardo makes her grow into a "quiet revolutionary", though Rennie Wright's production fails to make clear on stage what that might mean. Thompson is an American tenor with easy top notes, an Anglo-Saxon sounding voice and good vocal manners, who is evidently much in demand. Tenors who can diminuendo on a top C are never two-a-penny.

Nobody else succeeds in lighting up the miserable gloom of this staging, which works against David Barrell's Enrico and Michael Druiett's voluminously loud Raimondo. It is ironic that WNO's Music Director, Carlo Rizzi, should be opening the season at Covent Garden with Puccini and Rossini revivals, leaving Italian opera duties in Cardiff to Julian Smith.

Looking at the stage, one could hardly blame him. When a ram gets its throat cut for a toast in blood at the wedding, it suggests a thirst for novelty which is nowhere else evident. We know we are in Scotland because the men of the chorus are wearing kilts, but the rest of the production consists of two grey walls and half-a-dozen tables, which clansmen shift around periodically for visual splendour and dramatic thrill. Clearly the money ran out at the drawing-board stage. Then again, *was* there a drawing-board stage?

Sponsored by the Peter Moores Foundation

Pop concert/**Peter Berlin**

Grant Lee Buffalo

Grant Lee Buffalo is the type of band that gets record companies interested. Its lyrics are interesting (or pretentious, depending on your point of view), its musical style, distinctive but knowingly anchored in mainstream rock, is marketable but not overtly commercial.

This week the trio played at the ICA in the Mall. They are hardly pin-ups, looking more like thirtysomething escapees from a David Lynch film about American lowlife. As Grant Lee Phillips, lead-singer, guitarist and songwriter, bounced on stage one young woman behind me turned to another and declared disappointed: "He's ugly." "Really ugly," replied her friend. Pudgy, sweaty, bashing on his 12-string electro-acoustic guitar, twitching awkwardly as he briefly addressed the audience between songs, Phillips dominates the stage and laps up the applause. He comes from the high-strung, wild-eyed school of north American singers, somewhere between Henry Rollins and Neil Young – they finished with a high-speed version of Young's "For The Turnstiles". He instantly raised worries about how efficiently he had been searched for guns at Heathrow.

Paul Kimble, the bassist, his ratty dyed hair hanging across his face, is a poor man's Nicholas Cage, Joey Peters, the drummer, pulling faces, grinning encouragement to no-one in particular, is the sort of man who has animated conversations with himself on trains.

They can all play. They started like a train, roaring through "Shining Hour", the strongest number from what is, hype aside, a strong album. It was rockabilly on steroids, driven forward by Phillips beefy, pounding drums. They followed with "Jupiter and Teardrop" a crunching ballad of ill-starred love. The opening chord, a shameless steal from Bowie's Moonage Daydream, has provoked an orgy of spot-the-influence among critics. Could "Jupiter" be Bowie himself? Could doomed "Teardrop" be John Lennon, whose singing some say Phillips apes? Live he sounded eerieiy like Elton John (quite the wrong market) and the much-examined words like the more endearingly overblown work of Bernie Taupin, John's lyricist.

On the album Kimble's production gives the songs variety. Live, GLB showed an astute, though wearisome, mastery of rock's dynamics. Time and again crashing verse was followed by whispered chorus, rousing chorus by delicate verse.

They finished in rousing style with "America Snoring". If Phillips has not used up all his songs on *Fuzzy*, it will sound excellent when GLB starts playing football stadiums in three or four years.

Weekend music in London

New quartet, old orchestra

The Skampa Quartet – Czech, prizewinners at two European competitions – was not entirely new to the Wigmore Hall on Saturday evening: it had preceded this full-length evening recital with, last February, a Sunday-morning "Coffee Concert" which evidently left a powerful impression – powerful enough for word of mouth to get about and the house to be packed on Saturday.

The euphonious musicality and unforced grace of style of the Skampa – every phrase given the illusion of displaying its own innate weight and direction, every rhythmic pattern naturally tapped – are characteristics that might be deemed traditionally Czech. But, as shown in this programme of Haydn, Smetana and Dvořák, the personality that emerges from the ensemble – distinctive, vital, questingly energetic – is anything but familiar.

This arresting combination of tradition and innovation may perhaps be ascribed to the coaching the group has received from Milan Skampa, violist of the (alas!) now-defunct Smetana Quartet and a leading chamber-music guru. The use of his surname pays a compliment which is handsomely returned, for the performances had a shining freshness miles removed from the hard-drilled or the masterclass-copied.

From Skampa these players have certainly absorbed the missionary commitment which overflowed from their account of Smetana's Second Quartet (as it used to from the Smetana Quartet's celebrated own). In the past this less-often-played of Smetana's two string quartets, a "late work" of sometimes overpowering intensity and telegraphic economy of statement, has too often been dismissed as the incoherent product of Smetana's overwrought mental condition (by 1882 his syphilis was already far advanced).

In this reading its pungently dramatic, passionately emotional qualities were both balanced and heightened by a grasp of its astonishing concentration of form and lyrical statement, all of which added up to an overwhelming experience. The Dvořák "American" quartet, after the interval, was perhaps one easier to digest but no less exhilarating; only the opening Haydn (the "Fifths", Op. 76 no. 2) had been lightly flecked with nervous imprecision on the part of the quartet's brilliantly communicative leader, Pavel Fischer.

The quality of the players' instruments is plainly not of the highest (step forward, some chamber-music-loving Maecenas!). Everything else about the group arouses huge excitement for the future.

Max Loppert

The trial has begun in earnest. By the end of this year one of London's orchestras will know that it has been sentenced to death by starvation of funds. Until then the Philharmonia, the London Philharmonic and the Royal Philharmonic will be under close scrutiny.

Given the importance of concerts in London, it was unwise of the Philharmonia to open its programme at the Royal Festival Hall on Sunday with the Prelude to Act 1 of Wagner's *Lohengrin*. The orchestra's strings are a long way from being able to deliver the exposed first few minutes with any kind of style. There were as many ideas on tuning and ensemble as there were players, thankfully soon rescued by their colleagues.

That despatched, the rest of the evening proceeded more confidently. The soloist was Margaret Price, fresh from an impressive performance as saviour of the Geraint Evans tribute in Cardiff. There she had sung Verdi's Desdemona with wondrously pure, poised tone. Wagner's *Wesendonk Lieder* lie lower and call for a different kind of singer.

Quite rightly not wanting to employ the Margaret Price Mozart voice, she sang with bigger, richer tone – a plausibly Wagnerian sound, except that it loses focus when she calls upon it for more volume. The best songs were the third and fifth, where the scoring is lighter. Unlike other singers, concerned with keeping up a golden flow of voice in these songs, she sings words, urgently and intensely. At times the music nearly wandered into the world of expressionism. Giuseppe Sinopoli is a reasonably considerate accompanist and she was not often drowned.

In Bruckner he could afford to let the brass rip – and he did. In the passages of the Fourth Symphony where they sing Bruckner's noble melodies the strings were more certain of their ensemble, though Sinopoli drove them so hard that they often sounded under stress. For the rest, the brass dominated, obliterating everybody else rather than trying to blend.

All of this is central to Sinopoli's views on Bruckner, typified by the blazing assertiveness of every climax. The comparison here has to be with the Leipzig Gewandhaus and Kurt Masur, who gave a Bruckner Fourth at the Proms which was on another level, grand, unforced, eloquent. I do not wish to suggest that anybody over here should try to follow the Leipzig model but the Germans do know how to play Bruckner. It is unlikely that any London super-orchestra would match them.

Richard Fairman

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INTERNATIONAL ARTS GUIDE

AMSTERDAM

Muziektheater Tonight: final performance of Dutch National Ballet mixed bill, choreography by Laurie Booth, Toer van Schayk and Balanchine. Tomorrow, Sat, next Wed: final performances of Klaus-Michael Grüber's Netherlands Opera production of Parsifal, with Barry McCauley, Ruthild Engert, Jan Hendrik Rootering, Wolfgang Schöne and Günter von Kannen. Thurs, Fri, Sun: **Nederlands Dans Theater** (020-625 5455)

Concertgebouw Tomorrow: Norwegian chamber music with Arve Tellefsen, Truls Mørk and Havard Gimse. Fri, next Mon and Tues: Hartmut Haenchen conducts Netherlands Philharmonic Orchestra in works by Weber, Beethoven and Richard Strauss, with piano soloist Brigitte Engerer. Sat afternoon: Valery Gergiev conducts Radio Philharmonic Orchestra and soloists of Kirov Opera in concert performance of Rimsky-Korsakov's The Legend of the Invisible City of Kitezh. Sat evening: Gustav Leonhardt harpsichord recital (24-hour information service 020-675 4411 ticket reservations 020-671 8345)

ANTWERP

Tonight at **deSingel**: Peter Eötvös conducts New Belgian Chamber Orchestra in works by Webern and Kurtag. Tomorrow at **Generale Bank**: Fretwork presents music by George Benjamin and Josquin. Fri at deSingel: George Benjamin conducts Royal Flanders Philharmonic Orchestra in works by Messiaen. Sun: Heinrich Schiff conducts Orchestra and Chorus of the Monnaie in concert performance of Fidelio, with Nadine Secunde as Leonore (Antwerp 93: information from Grote Markt 29, B-2000 Antwerp, tel 03-226 9300; tickets from Tele Ticket Service tel 070-233233 or in person at Fnac, Groenplaats, Antwerp)

BASLE

● The Basle Symphony Orchestra's winter concert season opens tomorrow in the **Stadtcasino** with a programme featuring Mahler's Lieder eines fahrenden Gesellen (Oliver Widmer) and Tchaikovsky's Sixth Symphony, conducted by Michael Boder (repeated on Thurs). The next concerts on Oct 13 and 14 are conducted by Horst Stein (061-272 1176)

● The new season at the **Basle Theatre**, the first organised by Wolfgang Zörner, opened earlier this month with Boito's Mefistofele. The production continues in repertory over the next month with Tosca, Jesus Christ Superstar and Youri Vamos' ballet Spartakus (061-295 1133)

BRUSSELS

Palais des Beaux Arts Tonight, tomorrow: Ensemble InterContemporain plays music by Elliott Carter, Tristan Murail, Ravel, Boulez and others. Tonight's concert is conducted by David Robertson, tomorrow's by Pierre Boulez. Sun afternoon: Günter Neuhold conducts Belgian National Orchestra in works by Toussaint, Tchaikovsky and Schumann, with violin soloist Keng-Yuen Tseng. Next Mon: Marek Janowski conducts Orchestre Philharmonique de Radio France in Tchaikovsky and Rakhmaninov. Oct 1-10: festival of Czech and Slovak music (tickets 02-507 8200 information 02-507 8410)

Monnaie Tonight, tomorrow: Heinrich Schiff conducts concert performances of Fidelio, with Nadine Secunde (tonight) and Janis Martin (tomorrow) as Leonore. Sat: José van Dam song recital (02-219 6341)

CHICAGO

CHICAGO SYMPHONY
The new season at **Orchestra Hall** is underway with two programmes conducted by Daniel Barenboim. Tomorrow, Fri afternoon, next Tues: all-Brahms programme. Thurs and Sat: Verdi's Requiem with soloists Alessandra Marc, Waltraud Meier, Vicente Ombuena and Ferruccio Furlanetto (312-435 6666)

CHICAGO LYRIC OPERA
The opening production of the 1993-4 season is La traviata (tomorrow, Sat, next Tues, Oct 1 and 4), with a cast led by June Anderson, Giuseppe Sabbatini and Dmitri Hvorostovsky. The second production is Massenet's Don Quichotte, opening on Sun afternoon with Samuel Ramey and Susanne Mentzer (312-332 2244)

GENEVA

● The Royal Shakespeare Company tonight opens a week of performances of Adrian Noble's production of The Winter's Tale at the **Comédie** (022-320 5001)

● Gary Bertini conducts Adolfo Marsillach's new production of Carmen at **Grand Théâtre** on Thurs, Sat and Mon (also Sep 23, 26, 29, Oct 2), with Denyce Graves in the title role (022-311 2311)

THE HAGUE

Dr Anton Philipszaal Tonight: Alexandru Lascae conducts Hague Philharmonic Orchestra in works by Ibert, Martin, Dukas and Bizet. Sat: Jac van Steen conducts Hague Philharmonic in Rudi van Dijk, Richard Strauss, Penderecki and Vaughan Williams. Next Mon: Reinbert de Leeuw conducts Schoenberg Ensemble in works by Yun and Scelsi. Next Tue: King's Singers (070-360 9810)

AT&T Danstheater Thurs, Fri: Dutch National Ballet mixed bill, choreography by Lauri Booth, Toer van Schayk and Balanchine (070-360 4930)

GHENT

de Vlaamse Opera The first staged production at the newly-renovated opera house is Otello, opening on Thurs (repeated Sep 26, 29, Oct 2). Stefan Soltesz conducts a staging by Gilbert Deflo, with a cast led by Corneliu Murgu, Knut Skram and Elena Filipova. The production can also be seen in Antwerp next month (091-225 2425)

VIENNA

CONCERTS
Sviatoslav Richter is piano soloist in a Bach and Shostakovich programme tonight in the Konzerthaus, featuring the Vienna Chamber Orchestra conducted by Rudolf Barshai (712 1211). At the **Musikverein**, Alfred Brendel gives a Beethoven recital tonight. Sat: Peter Keuschnig conducts the Tonkünstler Orchestra in works by Beethoven, Prokofiev and Schubert. Next Mon: Tadaaki Otaka conducts Yomiuri Nippon Symphony Orchestra, with violin soloist Kyoko Takezawa. Sep 30: Murray Perahia (505 8190)

OPERA/DANCE
Catherine Malfitano sings the title role in tonight's performance of Madama Butterfly at the **Staatsoper**. Tomorrow: L'elisir d'amore. Thurs: Salome with Malfitano and Leonie Rysanek. Fri: ballet mixed bill. Sat: Tosca with Mara Zampieri. Sun: Fidelio with Luana DeVol, Ben Heppner and Theo Adam (51444 2955)

WASHINGTON

● Twelfth Night: Shakespeare's romantic comedy directed by Douglas Wager. Till Oct 31 (**Fichandler Theater at Arena Stage** 202-488 4377)

● Show Me Where The Good Times Are: a musical by Kenneth Jacobson, Rhoda Roberts and Lee Thuna about young love, greed and hypochondria in New York's Lower East Side, loosely based on Molière's Le Malade Imaginaire. Opens tonight, till Oct 17 (**Olney Theater** 301-924 3400)

● Falsettos: William Finn's Tony Award-winning musical, directed by James Lapine. This week only, ends Sun (**Warner Theater** 202-783 4000)

● Beau Jest: a domestic comedy by James Sherman. Opens tonight (**Ford's Theater** 202-347 6269)

ZURICH

Opernhaus Tonight, tomorrow and Sun evening: Il barbiere di Siviglia. Thurs: Eliahu Inbal conducts Nikolaus Lehnhoff's new production of Henze's Der Prinz von Homburg, with Thomas Hampson. Fri and Sun afternoon: Bernd Bienert's Nutcracker. Sat: Lohengrin. Next Mon: Sandor Vegh conducts orchestral concert (01-262 0909)

ARTS GUIDE

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Iron triangle softens image

The Keidanren, or main business grouping, is adapting to changes in Japan, says Gordon Cramb

Japan's six-week coalition government is proving fragile and fractious under the leadership of Prime Minister Morihiro Hosokawa. But one constant source of influence at the centre of power, even though the long-ruling Liberal Democratic party was ousted this summer, is the business leader who met Mr John Major on his visit to Tokyo yesterday.

At the Akasaka Palace, the government's guest house, the British premier and a delegation of UK industrialists held talks with Mr Gaishi Hiraiwa, the 78-year-old chairman of the Keidanren, the country's main business grouping. They put the case for the further opening of Japanese markets, from whisky to fund management.

Mr Hiraiwa was noncommittal. But one particular form of fund management, in which the Keidanren has for decades been involved, is unlikely to have been raised by Mr Major. Mr Hiraiwa last month said the organisation would no longer act as a conduit for business donations to Japanese political parties.

The Keidanren, the Japan federation of economic organisations, helped found the Liberal Democratic party in 1955 and provided it with some Y13bn a year in funds from its 900-plus members. But less than a week into the life of the new seven-party administration, Mr Hiraiwa let it be known that this practice would cease. Ten days later Mr Morihiro Hosokawa, the reformist prime minister, appointed him to head an advisory panel seeking ways to streamline Japan's administrative system.

Not only were links with the new government cemented, but the appointment of Mr Hiraiwa to the panel allows the Keidanren to promote deregulation of the economy, which it has long sought and which Mr Hosokawa has made a main government priority along with political reform.

The cut-off in funds illustrates the ability of the Keidanren, written off on several occasions as a relic which speaks for shipbuilders and steelmakers, to defy its slow-moving image and adapt to changed realities.

Before it lost the election in July, the relationship between LDP and Keidanren was a strong element in the bond uniting the interests of government, industry and the bureaucracy which delivered Japan much of its postwar economic success. This so-called "iron triangle" became, however, so tarnished by corruption scandals that it was the main reason the LDP was ousted.

Trevor Humphries/Reuter

Tokyo heavyweight: Mr Hiraiwa (right) met John Major yesterday

The federation's money represented a tenth of the LDP's total income and influenced companies to give even more. Mr Kazuo Nukazawa, Keidanren managing director, maintains that this money was the most acceptable, because it went openly to LDP central funds rather than through a back door to individual Diet (parliament) members or factions.

"The basic character of the government has not changed," says Mr Nukazawa. "It equals the LDP minus corruption." He adds that LDP politicians "will have to live a frugal life. They will have to bring sandwiches to a lunch meeting. That is good for their health."

In spite of such stern prescriptions, the ever-careful business organisation has left itself a get-out clause in case the LDP regains power. Individual member companies can maintain any direct funding they wish, the Keidanren says, and a small number have indicated that they will do so. It may in the future give guidance on the party or parties on which its members might wish to bestow any largesse.

"Guidance" – a signal of what is acceptable, or indeed expected – from the Keidanren is taken no less seriously by industry than a similar nudge from a ministry. Japanese companies generally respect conformity and "mutual emulation is very strong", says Prof Haruo Shimada of the school of economics at Keio University, Tokyo.

This emulation applies, for a start, among the country's various business groupings themselves. Before acting on political funds, Mr Hiraiwa heard noises of discontent with the existing order. The complaints came from the more junior Nikkeiren employers' federation, which usually concerns itself with labour relations, and the Japan Chamber of Commerce and Industry, which represents 1.5m mainly small companies. But they waited for a lead from the Keidanren to before their members could stop payments. As Prof Shimada puts it, before Mr Hiraiwa spoke out on the issue, he "pretended he was at the tail of this procession, then he decided he could say what should happen".

While doing this, Mr Hiraiwa was falling into step with the new government in other ways. Mr Hosokawa, in trying to stimulate depressed domestic demand, is making it clear that consumers rather than the LDP's long-cultivated producers should be the main beneficiaries from the favourable effect of the stronger yen on import prices.

Through all the years in which the Keidanren proclaimed the LDP the party of free enterprise, its members benefited from the party's bias towards the producer. Only the farmers' lobby, in blocking rice imports while selling the populace its staple food for five times world prices, has carried clout comparable with the Keidanren.

First to respond to Mr Hosokawa's message of putting the consumer first were the electric utilities, offering modest but trend-setting rebates on customer bills in acknowledgement of the benefits of cheaper imported energy. Although he played no overt role, Mr Hiraiwa is likely to have been active behind the scenes as the chairman of Tokyo Electric Power, Japan's and the world's largest private sector supplier of electricity.

The Keidanren excels not so much at radical innovation as at hauling itself on to bandwagons and giving them momentum. The federation has long lobbied for privatisation and claims credit for the state asset sales of the LDP's last decade – these continue this month with the sell-off of the first part of the Japan Railways network.

Mr Andrew Lawson, head of the east and south Asia department at the Confederation of British Industry, says that, while the Keidanren is good at putting together alliances to meet a sudden turn in events, such as a large bankruptcy, it often merely "espouses fashionable virtues", such as the environment.

The two main areas where resources within the organisation's 200-strong staff are being increased are environmental affairs, where it is seeking, for example, to help China control industrial effluents, and the harmonisation of competition policy with the west. Each can be viewed as ironic for a body which, with some success, spent much of the 1970s resisting legislation on pollution controls in Japan, and in the early 1980s acted to curb anti-monopoly requirements.

As the Keidanren adjusts its image to fit Japan's more consumer-conscious government, LDP leaders are left checking the price of their sandwiches.

Joe Rogaly

Time for long trousers

This is the week in which Mr Paddy Ashdown must grow up, put on the long trousers of politics, even, if you follow me, select an appropriate jacket and tie. At present he is leader of – I speak metaphorically, you understand – the short-trousered philanthropists of British politics. The Liberal Democrats are doing well, but even the most sanguine among them confess that they are not a coherent national political force. They represent a collection of local committees, each tailoring its appeal to what will win votes on this particular pavement or that, each voicing the parish outrage of the moment.

Street corner opportunism can blow up in the participants' faces, as the publication of racialist propaganda by Liberal Democrats in Tower Hamlets has demonstrated. The perpetrators should be drummed out of politics. The party leaders, who cannot have been wholly unaware of what was going on, should be ashamed. The way they are expressing their anger now suggests that they are. Yet populism can be effective, and legitimate. Here in Torquay it has produced the most well-attended third-party conference since the high days of the Liberal-Social Democratic Alliance in the early 1980s. It has badly frightened the government. The Liberal Democrat victories at Christchurch and Newbury may yet bring down the prime minister.

No one in Torquay believes that would be good enough. More is required if Mr Ashdown and his colleagues are to become the heirs of Asquith and Lloyd George. The what? The Lib Dem leader confessed at the weekend that, like any other ambitious politician, he hopes to be prime minister one day. The probability that he will achieve that at the next election is low. I would have said something about a snowball's chances, but Mr Ashdown might demur. He is the sort of chap who reflects on the capacity of history to surprise us. Over the past few years it has. The Berlin Wall is down. The Soviet Union has vanished. Israel and the PLO have signed a peace agreement. Which do you find easier to believe? All of the above, or the Liberal Democrats sweeping the country sometime between now and 1996?

The realistic view, as expressed in relaxed conversations by some of the principals at the party's conference, is more mundane. It is that the best that can be hoped for is the capture of, say, a further 15 seats from the Tories. That would put the trailing opposition party at 35-40 members of parliament. Let us give Mr Ashdown that. Go on. Assume, just for the sake of argument, that the Conservatives do not recover the protest vote that currently threatens them. We would then reach a shortlist of two possibilities, familiar to those who followed the election of April 1992. Labour would either govern on its own on the basis of a very small majority, or depend on, say, 35 Liberal Democratic MPs.

In short, the Lib Dems propose next to nothing that would upset the programme of a Labour government under Mr John Smith

Either way, it would make little difference to the governance of Britain. The Liberal Democrats would grasp the opportunities open to them in a hung parliament with the eagerness with which they have grabbed the anti-Tory protest vote. They could do so with a clear conscience. Take their new value statement, Facing up to the Future, which was debated yesterday. It might as well have been published by Labour's modernisers. The emphasis on free markets in the Lib Dems' earlier statements has been softened, by putting capitalism in the context of regulation and community values. The old Euro-federalist enthusiasm has been tempered by a new realisation that this does not sell under *every* British lamp-post.

The two parties are close enough on constitutional reform for it to be a fair bet that in either of the two realistic scenarios – a Labour majority administration, or one dependent on Lib Dem support – there would be early legislation on a Scottish assembly, and a referendum on proportional representation. Labour policies on Europe, trade union law, education, health, and other bread-and-butter issues would sail through. Both parties support active government; as to taxation it is the Liberal Democrats who have hit on the possibly useful wheezes of hypothecating imposts, such as a penny on income tax for education, or moving from taxes on earnings to taxes on energy. With the latter, you get cash to spend and the green vote thrown in for free.

In short, the Lib Dems propose next to nothing that would upset the programme of a Labour government under Mr John Smith. This is probably welcome news to members of the Liberal Democratic party, who are typically graduates with salaried jobs, many in the public sector. The results of a sample survey, presented at the weekend by John Curtice of Strathclyde University, suggests that while most Lib Dems are middle-class, more than half support a coalition with Labour. The differences between the parties are cultural, not matters of policy. Torquay wholly rejects the idea of Mr Paddy Ashdown and his backbenchers propping up a future *Tory* government.

This is not to say that life under Labour would be the same if there were no third party. We have heard much about the effect on the Conservatives of the persistent strengthening of the Liberal Democrats. What of the effect on Labour? In the medium term it should strengthen the case for modernising, for dissociating Labour from relics of its past, such as its dependence on trade unions, or its hankering after a non-competitive world. This is essential if either party's dreams are to come true: southern voters will reject Liberal Democrats if they fear an unmodernised Labour party. Despised rival or potential partner, the third party is a player in the same centrist market for votes. It cannot be ignored.

Mr Ashdown may therefore be propelled by events into a greater domestic political game than that played by his post-1945 Liberal party predecessors, or by the SDP "gang of four", Lords Jenkins and Owen and Lady Williams included. The question is, is he up to it? He has come a long way since he took over the remnants of the old SDP and Liberals in 1989. He deserves credit for the success of the new enterprise, although Mr John Major has probably done more for the Liberal Democrats than anyone else. Mr Ashdown must now move from being the pied piper of pavement politics to leadership of a serious party of consistent purpose. He will be watched.

LETTERS TO THE EDITOR

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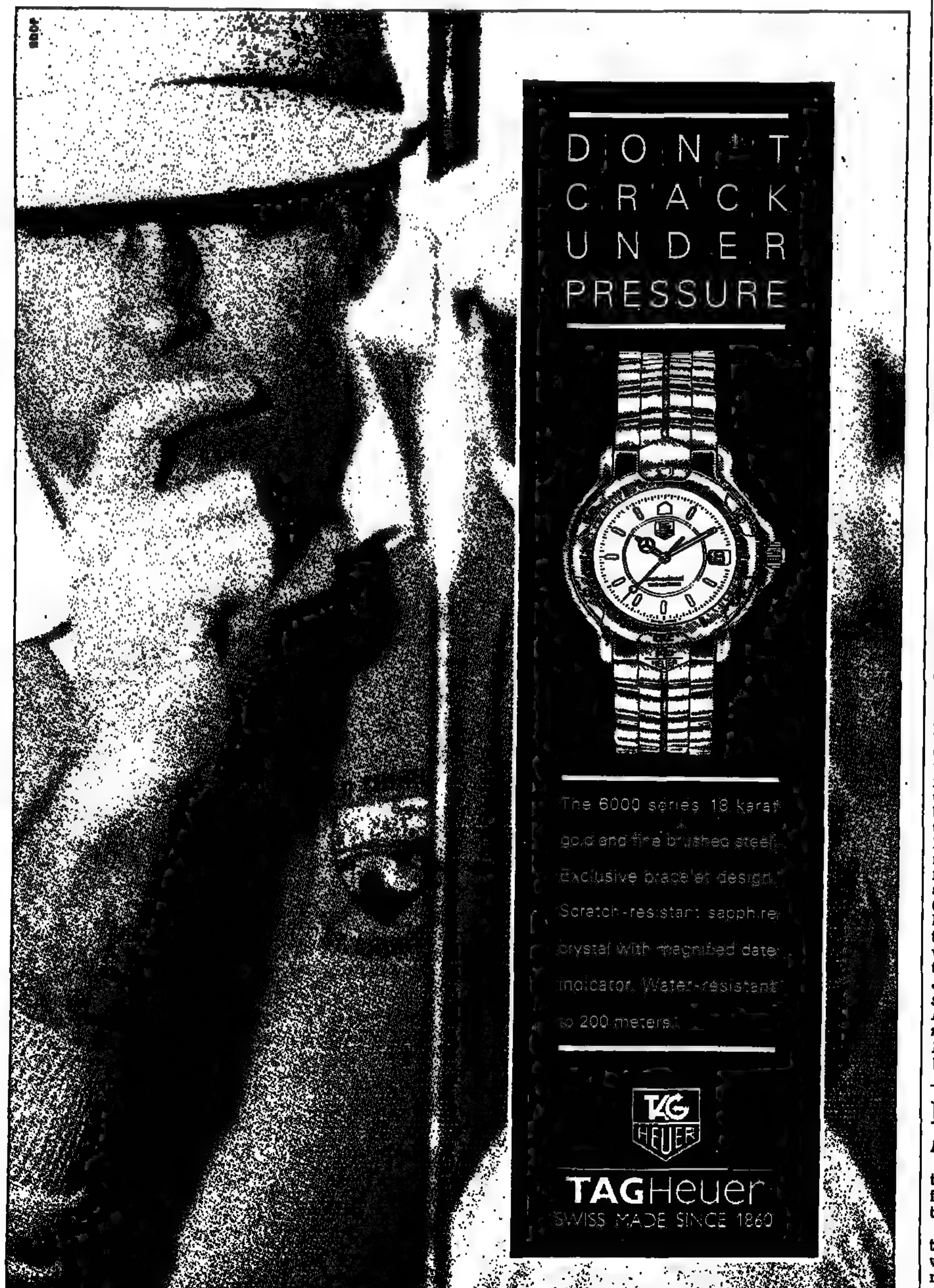

Flexibility is key to restoration of EMS

From Mr John Williamson.

Sir, Barry Eichengreen and Charles Wyplosz are surely right to argue (Personal View, September 17) that the ERM has now become so permissive as to cast doubt on the feasibility of completing the single market. But their diagnosis of the flaws is unconvincing.

In 1992-93 the European authorities stubbornly defended exchange rates that had become seriously misaligned to a point where credibility was totally undermined once the defences were overwhelmed, and refused to acknowledge that German unification meant that the rest of Europe needed markedly lower interest rates than Germany.

Do Eichengreen and Wyplosz really believe that the ERM could have survived had it been exposed to such pressures prior to the abolition of capital controls? Are they really claiming that the imposition of deposit requirements for institutions with open foreign exchange positions would permit the parities of exchange rates pegged at levels that impose such strains to survive?

The key to restoring the EMS is not to play at restoring capital controls, but to resolve once and for all that rates will be pegged at levels that make sense in the light of the fundamentals and that are promptly changed to reflect changes in the fundamentals. For the moment that means keeping the wide band for the D-Mark, because of the need to allow Germany to keep relatively high interest rates, but there is no reason to delay restoring relatively narrow bands among all the other currencies (including the pound and the lira). That would mean that for the time being the D-Mark would no longer be at the centre of the ERM; so be it.

John Williamson,
senior fellow,
Institute for International Economics,
11 Dupont Circle, NW,
Washington, DC, US

Free trade will benefit steel

From Mr Richard Lucas.

Sir, If the Inland Revenue is buying steelwork from Poland, this is not against British interests, except in the very short run (Letters: "Steel subsidised at high cost to UK", September 16).

I run a company which represents British and American producers of auto-ID equipment in Poland, and we are bidding for a contract from the Katowice steel mill which will help raise productivity and cut costs. Such sales depend on relatively free trade.

Protectionism against efficient, low-cost Polish producers is short-sighted, because it threatens the expansion of trade through which incomes will rise, east and west. If free trade is allowed, Poland will export more to western Europe, and be a larger market for the useful and competitive things that western Europe has to offer.

Let consumers decide which goods and services meet their needs, and not leave it up to bureaucrats.

Richard Lucas,
general manager,
Systemy Kodow Kreskowych,
31-068 Krakow,
Ul. Stradom 13/3A,
Poland

Renewable energy industry makes sense

From Mr David Porter.

Sir, The report by Bronwen Maddox ("Answers in the wind", September 15) points clearly to the two reasons for focusing attention on renewable forms of energy. Fossil and nuclear fuels are finite and, as we use them up, we may cause pollution and significant climate change.

Ignoring the environmental issues, we shall find that when stocks of conventional fuel have shrunk, the market will set an appropriate price for them and energy management will be taken up enthusiastically. Long before the time when the potential of energy management is exhausted, alternative energy sources will no longer be perceived as expensive.

But it is risky to ignore the environmental issues. If we are convinced that global warming is going to bring the tides to inland doorsteps and that man is capable of influencing climatic change of that magnitude, then we are bound to try to exercise that influence.

That is why it makes sense to produce some of our electricity from renewable energy now, by supporting the best schemes and giving them the experience of operating in a commercial climate.

Then we shall have an established renewable energy industry capable of increasing its production when it has to.

David Porter,
Chief Executive,
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London SW1A 2BX

Andrew Holmes: insight into world of energy

From Dr Kim Howells MP.

Sir, I am writing on behalf of all of Andrew Holmes's friends and admirers, both inside and outside of parliament, who benefited so enormously from his unrivalled insight and breadth of knowledge of the world of electricity, politics and commerce. Not once, even during his busiest moments, did Andrew deny any of us access to information and intelligence central to our understanding of the enormous changes being witnessed over the past decade in the energy industries. He reinforced our trust in and affection for the FT's specialist energy publications.

His death (Obituary: "Trenchant analyst of energy", September 14) at the age of 36 is a cruel blow, not only to his wife Claire and to his children, Lottie and Jack, but to all who counted him as a friend, an adviser and, quite simply, as one hell of a good bloke.

Kim Howells,
House of Commons,
London SW1A 0AA

A different view of the purpose of work

From Mr David Martin MEP.

Sir, Richard Brown, of the Association of British Chambers of Commerce (Letters, September 8), claims that the Social Chapter amounts to "shackles". That says it all. It is typical of a representative of British commerce to portray the social wage as a "handicap". This illustrates why we will never be at the heart of Europe as long as that view prevails among commerce and government in the UK.

The letter also illustrates the difference between the left and right in Europe and the right in the UK. Everybody else believes the purpose of work and commerce and, indeed, civilisation is to improve the working, living, social and cultural conditions of the people generally. Mr Brown presumably believes the sole purpose of commerce is to make the rich richer and the poor poorer.

I would fully endorse European Commissioner Padraig Flynn's concept of a World Social Chapter. Indeed, I believe it is essential unless free trade is to result in beggar-my-neighbour policies on a world scale which will deprive the workers of the Pacific Rim of any improvements while removing the hard-won gains from our people.

David Martin MEP,
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vice-president of the European Parliament,
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Edinburgh EH7 5LA

No better place to find an answer than in the late 1960s

From Mr Brian Yates.

Sir, It was with some sadness that I read Malcolm Rutherford's review ("Hair is wearing thin", September 15).

While it must inevitably be true that the revival of a show which captured a particular mood a quarter of a century ago should now appear dated, it is surely misguided for Mr Rutherford to be so casually dismissive of the culture and values of the late 1960s that Hair so clearly represented.

While I agree with Mr Rutherford that "the mood now is one of not being quite sure where to look", surely there can be no better place to find the answer than in the late 1960s during which a whole generation questioned the established order of things and craved for a better way of life.

Again, I agree with Mr Rutherford that the fashion has changed: we live in an age which is more competitive, more stressful, more apathetic, more materialistic, more violent. In contrast the mood of the late 1960s was one of peace, love, freedom, self-fulfilment.

It does not surprise me that Mr Rutherford feels it is time to bring back "Guys and Dolls" as I am sure this would be a more suitable show for him to enjoy and review favourably.

It is equally clear that he has never had much in common with the hippies that are a part of Hair.

Brian Yates,
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Hampshire GU13 8PS

FINANCIAL TIMES

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Tuesday September 21 1993

Social market, Polish style

AT FIRST sight, the result of Poland's election on Sunday looks like a step back to the future. In reality, by endorsing the two parties that ruled Poland for four decades of communism – one of them working under a new name, both with new policies – the electorate is not seeking the return of the old command economy. It is registering its desire to see market reforms tempered with greater attention to the problems they have inflicted on disadvantaged members of society, from public sector workers to old age pensioners. The consequence may be some slowing of the pace of change, but no real change in direction. With luck, Poland may even enjoy something it has not seen despite the momentous and largely positive developments since the demise of communism: a period of political stability in which the government can take a medium- to long-term view of the economy rather than having to indulge in crisis management.

In one sense, these may seem foolishly bold pronouncements. The totalitarian past is so recent and Poland's position in the vanguard of economic and political reform so pivotal that any hint of a resurgence by the old *nomenklatura* might be expected to send shivers of apprehension through western and eastern Europe. The fact that such shivers were noticeably absent yesterday speaks eloquently about the scale of change that has already taken place. For one thing, the economy is in unrecognisably better shape than four years ago, with industrial production rising, the private sector now accounting for well over half of economic activity, and foreign investment making important inroads. For another, Polish politics appears to be maturing. Under the new electoral law that governed Sunday's poll, the number of parties represented in the Sejm (parliament) has been slashed from 29 to six. Most took care to explain their distinctive policy platforms, and although Polish voters have arguably endured too many elections in recent years, more of them than on some previous occasions turned out to exercise their choice. The result seems likely to be peaceful alternance in government of just the kind that parliamentary democracy was designed to achieve.

Much now depends on the negotiations between parties to form a new coalition but here, too, the signs are not discouraging. The man at the centre of these talks – Mr Aleksander Kwasniewski, leader of the ex-communist Democratic Left Alliance – has repeatedly stressed his desire to press ahead with market reforms. Assuming he can keep hardline colleagues in check, he seems bent on establishing a broad-based coalition with a solid parliamentary majority, preferably including the centrist Democratic Union that led the outgoing government. Such a coalition would have a strong chance of surviving for a full four-year term and of governing without the interventions from President Lech Walesa that destabilised its predecessors.

A government of this stripe will want to modify economic policy as the voters have asked. In boosting social spending and public sector wages, it may push up the budget deficit, fuel inflation and dampen economic growth. Poland's relationship with the IMF and World Bank could suffer turbulence as a result. But a new government will also be aware that its members' desire for reform and economic integration with western Europe imposes strict limits on their room for manoeuvre. It will be for Poles to decide how strict those limits should be.

London security

THE SECURITY cordon thrown round a small area of London's financial district to deter terrorist attacks appears to have achieved a degree of success. It has been breached only once since the traffic restrictions were introduced in July – and then by a small device which was safely defused. The predicted traffic jams have not materialised. Walking through the less congested City streets has become more pleasant. Crime has fallen and there has been no armed robbery within the secure area.

The measures have been popular with businesses inside the cordon. The City Corporation, the local authority for the area, has found overwhelming support for making the traffic restrictions permanent. The Corporation believes it has reassured many international businesses which might find terrorist attacks sufficient reason to relocate to other European cities.

Yet the government is rightly unwilling to commit itself to making the restrictions a permanent feature. Most businesses in London – including many from overseas – remain outside the security cordon. Welcome though the environmental benefits are, they are poor justification for a scheme that may in the end simply displace the bombers' attention to other parts of the capital.

More durable may be the approach adopted in other parts of London, particularly around the government buildings in Whitehall. There, security has been improved by heightened surveillance and parking restrictions. Similar measures have also been introduced in the City at the same time as the traffic restrictions, and would continue were the traffic restrictions to be discontinued.

More, too, could be done to use the security systems of London's businesses to reinforce the efforts of the police and security services. Video cameras on business premises can deter terrorist attacks and help in finding those who perpetrate them. Yet senior police officers say that they are often not adequately maintained. Businesses could also do more to coordinate their security measures with their neighbours to ensure comprehensive coverage.

Adjustments to the arrangements for providing insurance cover for terrorist damage could play a part in heightening business awareness. Since the commercial insurers withdrew from the market, the government has helped create an insurance pool to which it acts as insurer of last resort. However, the premium structure offers no incentives for businesses that take precautions against terrorist attacks. Premium discounts for businesses that adopt approved security measures would be a further step in the fight against terrorism.

German gripes

AS GERMANY weathers the difficult aftermath of unity, the electorate's behaviour is, hardly surprisingly, showing marked variations from the old Federal Republic's general pattern of remarkably stable consensus politics. Only around 75 per cent of west Germans would vote for either of the two main parties, Chancellor Helmut Kohl's Christian Democrats and the opposition Social Democrats, according to latest opinion polls. The approval rating is even smaller among disgruntled east Germans, roughly 14 per cent of whom, on the basis of latest surveys, support a return of the former Communists.

The weekend election in the northern city of Hamburg provides further evidence of the trend towards political fragmentation. Voters are unsettled by the recession and the need for further cuts in living standards to correct post-unification economic imbalances. Yet, after several years in which the reputation both of Mr Kohl and of SPD leaders has been eroded, large portions of the electorate believe neither large party can adequately address Germany's problems.

The larger-than-expected collapse of Christian Democrat support to only 25 per cent of the Hamburg vote was accompanied by the loss of the SPD's absolute majority. The result, profiting a collection of left- and right-wing fringe parties, may set the tone for a further 19 regional and national polls during the next 13 months, leading to the general election in October 1994. A minor consolation for the political establishment was that the far-right Republican party, which has sought to gain ground from concern over immigration, narrowly failed to win the 5 per cent of votes in Hamburg necessary for parliamentary representation.

The fission of the popular vote is likely to feed uncertainties in Bonn. Mr Kohl's coalition with the liberal Free Democrats – who failed to pass the 5 per cent hurdle in Hamburg – is strained by differences on both economic and foreign policy. The FDP's demands that German industry be spared extra financing burdens from plans for nursing the elderly has led to a new coalition rift. This has prompted fresh rumours that Mr Kohl is preparing for a Grand Coalition next year with the SPD.

In crucial economic and industrial areas – concerning the budget, privatisation, transport, nuclear energy and social security – Germany requires bold initiatives to restructure an over-generous welfare system and restore its competitive edge. As the parties gear up for a year of electioneering, a strife-ridden political climate seems unlikely, however, to deliver the more radical policies Germany needs.

Radical surgery to restore health

Capacity cuts are needed to rescue the EC steel industry, say Andrew Baxter, Andrew Hill and Ariane Genillard

European steelmakers, politicians and bureaucrats are closer than ever to casting a gleaming rescue plan for the EC industry out of the pleas and promises submitted by producers over the past year.

But September 30, the date set by the European Commission for receiving offers of capacity cuts totalling some 30m tonnes of annual output, will pass without a final decision on the overall package.

It is almost a year since the crisis in the European steel market – a result of low prices, overcapacity, and recession in customer industries – forced producers to seek financial and political help from the Commission.

The result, early this year, was a series of planned measures, including capacity cuts, designed to help raise prices, return the industry to financial health, and prevent further bankruptcies among private producers.

But the Commission's sensitive negotiations with the Spanish, Italian and German authorities, aimed at limiting subsidies to the main state-owned steel producers, are at least two months behind schedule.

The question is: can the Commission's original ambitious plan to support the EC industry survive such a delay, or will it collapse in recriminations?

In spite of the delay, Mr Karel Van Miert, EC competition commissioner, and Mr Martin Bangemann, industry commissioner, will go into today's meeting of EC industry ministers in Brussels more optimistic than at any time since the crisis arose.

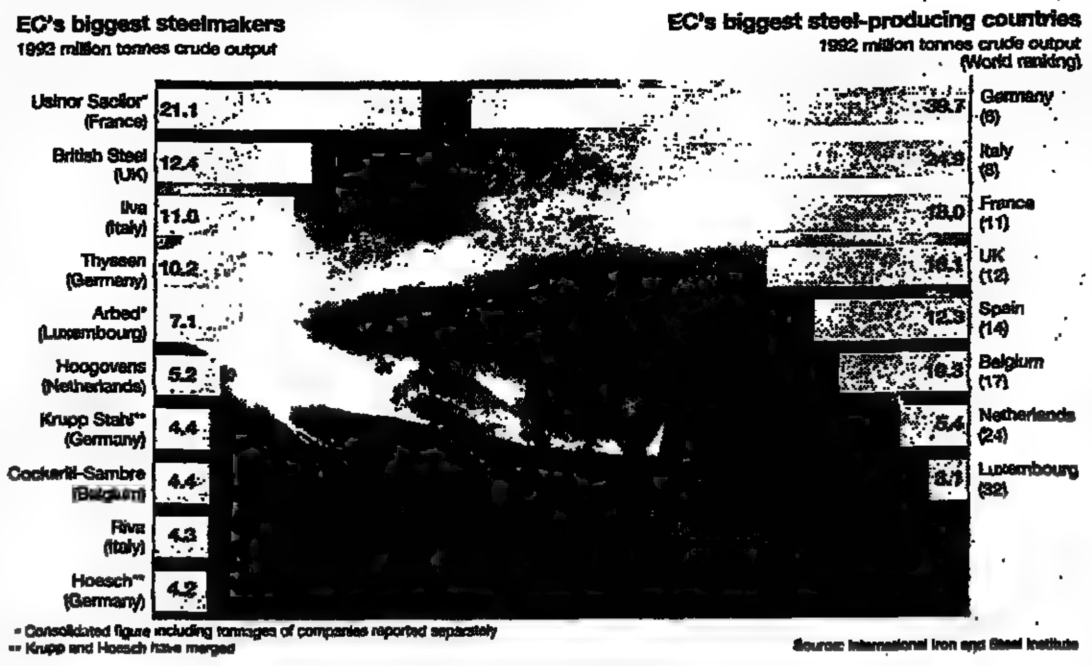
Most of their delicate plan is already in place. Steps have already been taken, or proposed, to help protect the EC industry from cheap non-EC imports; to monitor the steel market and forecast demand; and to set up a fund through which producers in certain sectors of the market will finance the closure costs of those in the same sector which cut capacity.

EC officials believe producers are now moving in the right direction, and most will be ready with a package of voluntary capacity cuts by a week tomorrow.

But the commissioners know that the producers' paper commitments will not be implemented if ministers do not act to limit state aid. Without restrictions on subsidies, private-sector steelmakers, many of which underwent painful restructuring in the late 1980s, will refuse to carry out the reductions in capacity on which the success of the plan depends.

The main reason why some ministers have been slow to tackle state subsidies is that the gains for the whole industry are outweighed by the domestic political pain of job losses, often in regions already hit hard by recession.

European steel: the case for cuts



* Consolidated figure including tonnages of companies reported separately
** Krupp and Hoesch have merged

Source: International Iron and Steel Institute

So reluctance by the Commission to push the ministers to a decision by tabling formal proposals is understandable. Decisions on state aid require unanimous approval by member states, and a veto by any single minister could accelerate the crisis. That is why there will be no vote at today's meeting on the three biggest state aid cases.

Instead, the Commission is likely to wait until the next scheduled meeting of industry ministers in November to propose a formal solution to the state aid dilemma, giving itself a further two months to cajole Bonn, Madrid and Rome into an acceptable deal.

But the Commission still hopes ministers will make progress at today's meeting, by beginning to suggest a balanced compromise between state aid and capacity cuts.

"The key question is: can the whole thing be finalised at the November council? That's only possible if this council isn't just a talking shop, but a critical session about how to settle the three aid cases," says one senior Commission official.

The Commission is taking a risk, but it knows that while postponement will create difficulties for many private-sector producers, outright failure would be a disaster.

The Community's steel industry is estimated to have lost more than £3bn last year, and could be facing similar losses this year – prices may have recouped some of the falls since 1990 but remain depressed. Continental European markets have worsened this year, with demand in Germany, which accounts for about a third of European consumption, still falling.

Private-sector producers warn that the present trend will result in further bankruptcies, following the collapse of Saarstahl in Germany this summer. They worry that state-subsidised steelmakers are simply hanging on and waiting for market conditions to pick up.

According to British Steel, a further strengthening of prices generally is urgently required by even the most efficient producers. In Germany, Thyssen warns that failure to reach agreement on subsidies means continued heavy losses for the industry. "Finally, this might lead to a situation where private companies will no longer survive in the steel market," it says.

Under the restructuring plan, the industry's effective capacity, excluding mothballed plant, will drop to 130m-140m tonnes annually, leaving enough slack to encompass any potential upturn. With a slimmer production base, the need to sell steel at suicidal prices simply to cover heavy fixed costs is reduced.

The longer the industry has to wait for restructuring to be implemented, the longer the market remains distorted by allegedly unfair competition. For example, the Commission estimates that debt at Ilva, Italy's state-owned producer, will rise from L10,250bn (£4.2bn) at June 30 to L10,720bn by the end of the year. This amount would be unsustainable without state support, according to Brussels.

While the Commission is still wrestling with Italy, after a summer of hard negotiation it has published the outline of a deal with the Spanish authorities, which should receive the unofficial backing of ministers today.

The Spanish intend to find private funding for the building of a mini-mill in the sensitive Basque region, and will bring forward by 18 months the closure of some 2.3m tonnes of capacity at Anzio, also in the Basque country.

Privatisation is emerging as a crucial element in the attempt by national governments to win the Commission's support for restructuring state industries. Ilva is submitting a new restructuring plan – the latest of several – which is based on privatisation, while Brussels is insisting that any new capacity to be built at Ekostahl, east Germany, should be financed mainly with private cash.

There are still many hurdles to overcome, however. Most important, the Commission knows that if private investment is used as a cover for public funding, the Community's hard-liners – British Steel and the private German producers – will queue up to denounce Brussels for going soft on subsidies.

The British government, for one, is openly suspicious about the possibility of public support "through the back door", and private steelmakers are already sharpening their invective. Mr Ruprecht Vondran, president of the German steel federation, last week warned the Commission against "window-dressing" solutions to the problem.

And Mr Brian Moffat, British Steel's chairman and chief executive, has said that, if the subsidies issue is "fudged", the UK producer might not pay its share of the proposed EC-backed levy scheme to pay for the capacity cuts.

Some even see the subsidies issue as having implications that go beyond the steel industry. "If the Community cannot sort out the subsidy issue, then you would have to question what it is for," says Mr David Rea, director of the British Iron and Steel Producers Association.

The alternative to agreement is certainly unpalatable. If the steel industry goes into 1994 without any deal on subsidies, there is a risk that state-controlled producers, which still account for about half Europe's production, could sit tight and wait for private companies to collapse.

That explains why the private-sector German producers, with their high labour costs and depressed domestic market, are nervous about the slow progress of the restructuring plan. They are hoping for a clear sign today that a solution will soon be cast in iron.

Tips from an old boy

Peter Marsh on a Treasury economist turned industrialist

With the UK government keen to step up discussions on policy issues with industrialists, it is likely that before long a senior Treasury mandarin will descend on a nondescript factory in rural Hampshire for a meeting with an unusual Whitehall old boy.

Mr Tim Parker is chief executive of Kenwood, a maker of kitchen appliances with a £120m-a-year turnover. A curly-haired and outgoing 38-year-old, he is one of the few Treasury economists in the past 30 years to have gone on to run a big manufacturing group.

In charge of Kenwood for the past seven years, Mr Parker has, during the recession, kept his UK workforce stable at about 1,200, opened a factory in China, revamped the product range and increased the company's pre-tax profits to £9.6m in the year to March 31, up 4 per cent on the previous year.

His career suggests he would have useful tips for Mr Kenneth Clarke, the chancellor, and Treasury officials as they elicit more ideas from manufacturers about economic policy. The department has launched Treasury "away days" to factories and has set up a committee of industrialists to discuss the economic outlook. The Treasury has also brought in Ms Wendy Pritchard, a consultant who specialises in developing the management cultures of big companies, to make senior officials more responsive to outside views.

Frustration at the Treasury's inward-looking style was partly behind Mr Parker's decision to leave Whitehall in 1979, after two years as a junior economist. He sought a job in industry "leading from the front" – a move that has paid off financially. As well as owning some £2.5m worth of Kenwood shares, Mr Parker's £160,000 salary is roughly 50 per cent more than that of Sir Terry Burns, Treasury permanent secretary.

After studying for an MSc at the London Business School – where he was taught both by Sir Terry and the Treasury's current chief economic adviser Mr Alan Budd, both former LBS academics – Mr Parker joined the electricals group Thorn EMI as a trainee manager. In 1986 he took over the top job at Kenwood, then a Thorn subsidiary. Three years later Mr Parker was among nine managers who bought the company from Thorn for £57m in a management buyout largely financed by banks. Last year the company was floated on the stock market, valued at £97m.

Based on his experience in the real economy, Mr Parker thinks the government should concentrate on boosting manufacturing, if necessary by letting sterling's exchange rate continue the downward path it has followed since Britain left the European exchange rate mechanism a year ago. With manufacturers benefiting from a large boost to competitiveness resulting from the lower pound, he reckons the sector has a "golden opportunity" to expand. Also helping manufacturers, he says, are low labour costs and a "battle-hardened" cadre of executives who have fought their way through the recession.

Mr Parker says this view does not amount to special pleading from a manufacturer. "We have to play this game with deadly seriousness," he says. "If we don't expand manufacturing industry we won't be doing enough to help create wealth in the future and cut the government deficit."

He also downplays inflation as a problem for the UK. Policymakers should not ignore inflationary pressures, he says, but underlying price pressures are much lower than in the 1980s because of changes in labour markets linked to lower union membership and decentralised pay bargaining. Labour costs are under control at Kenwood, Mr Parker says; the last pay agreement, for the year starting in April, imposed a wage rise for all employees of 2.5 per cent, well under the 5 per cent average rise in manufacturing earnings across the UK in the year to July.

In spite of his practical knowledge, Mr Parker has had few contacts with his old department since he left. But one Treasury official says that with its more outgoing approach it might fix a meeting soon. As a long shot, Mr Parker could even be appointed industrial adviser to Mr Clarke – a post the Treasury has been trying to fill for several months.

Tim Parker: not special pleading

Though Mr Parker says he has his hands full at Kenwood and the Treasury job has a salary only about a quarter of his current pay, he says the job would be "attractive".

One way around the earnings problem, he says, would be for the department to increase the salary, finding the money by sacking other employees: "It's the kind of approach the private sector would take, and possibly an example of how the Treasury has something to learn from the outside world."

OBSERVER

Ofgas kept guessing

■ Combative gas regulator Sir James McKinnon continues to create plenty of hot air, this time caused by speculation as to the identity of his successor when he bows out at the end of next month.

With the Department of Trade and Industry expected finally to make its decision any time now, one relatively unfamiliar name that just keeps cropping up is that of ex-Treasury official Clare Spottiswoode.

After leaving the civil service, she sold the enterprise she had started at boarding school – importing silks and cottons from Taiwan – before setting up in business in 1984 with her sister Alison to found software house Spottiswoode & Spottiswoode. That was sold after four years to computer services company Sapphire International, although she continued to run it for a while.

Not the most obvious preparation for regulating the gas industry, one may say, but she does have that hands-on business savvy that the DTI has increasingly favoured in top watch-dog posts. More tellingly, she has recently been heard asking some penetrating questions concerning the intricacies of privatised utility regulation – at a pretty high level.

If she gets the post, Spottiswoode will be the first woman to head a utility regulator, though not the first to be considered. Penny Boys, deputy director general of Offer, was in the running for Ofgas chief but has just accepted a post back at the DTI as head of personnel.

Meanwhile, Sally Hunt, a utilities consultant at Nera, the economic research group, was a candidate to head Oftel – and may, of course, be a challenger for Ofgas too.

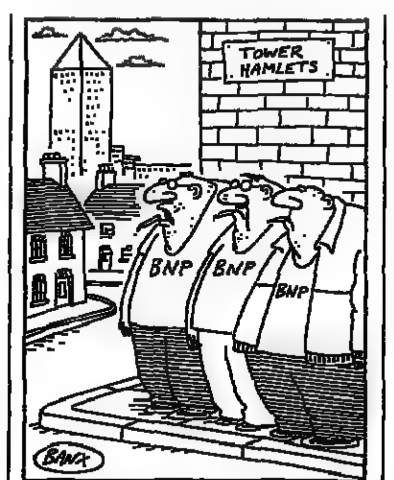
Sailing by

■ Former chief government whip Timothy Renton mucks around in boats in his spare time, according to his Who's Who entry, so it is perhaps no surprise that he should appear at ease yesterday fielding questions about sundry vessels in front of the Scott inquiry.

When at the foreign office in the mid-1980s, Renton fought a spirited battle with the DTI and the Ministry of Defence to prevent export licences being granted for inflatable dinghies bound for Iran, when similar craft were already being sent to Iraq. According to Renton yesterday, what took up a great deal of Whitehall time was arguments over whether a boat of approximately 20 ft in length could be construed as having military applications.

Whatever the judge thought of Renton's performance, the loyalty of one member of the public was assured.

The souvenir-hunting Mrs Renton was heard to ask assembled TV artists whether they might make available to her their drawings of the event.



'The only way to get work around here is to become a councillor'

Soros, the hero

■ Just to mark the anniversary of White or Black Wednesday, George Soros is once again putting the boot into the British government.

Writing on Bosnia and Beyond in the latest New York Review of Books, the terminator of Britain's ERM membership lashes the west as a whole but singles out Britain in particular.

"The British government has played a particularly insidious role," he says. "Having a peace-keeping force on the ground, it used the safety of its troops as an argument for dissuading the United States from using air power on the rare occasions when it was ready to do so. The fact is that British troops are nowhere stationed in locations where they could be directly threatened by the Serbs. They are exposed to the Croats and Moslems. Only when they are escorting convoys do they come into contact with the Serbs and they have done very little of that lately. Therefore the British argument has been merely an excuse for inaction."

In Soros' account only one person appears to emerge with any credit: himself. "My foundation provided fuel to Sarajevo during the winter, repaired and extended the gas lines, helped restore the bakery, and provided seeds for planting," he writes. "The only clean water available in Sarajevo today has been installed and maintained by my foundation."

Diplomacy

■ Gone are the days of shyness and embarrassed silences in diplomatic company whenever Morihiro Hosokawa, Japan's new prime minister, takes the microphone.

Honouring Michael Perry, Unilever's chairman, for his services to trade, Hosokawa pointed out that it was another Perry, Commodore Matthew Perry, who had arrived from the US with four black warships to "force us" to open markets in 1853.

But times and personalities have changed, Hosokawa implied: Unilever's Perry had come to Japan armed only with a "mild shampoo".

Later on, Hosokawa played host at a press conference in the back garden of the prime ministerial residence; he smiled sympathetically as John Major, the British prime minister, was asked to comment on a famous Hosokawa saying that a party becomes easily corrupted if it is in government for more than 10 years.

Symmetry

■ Nice to see Britain's armed forces boosting their clientele bases. For, having honed their own expertise in shedding personnel over the past two years, they are now being retained to help the Russians deal with the effects of doing the very same.

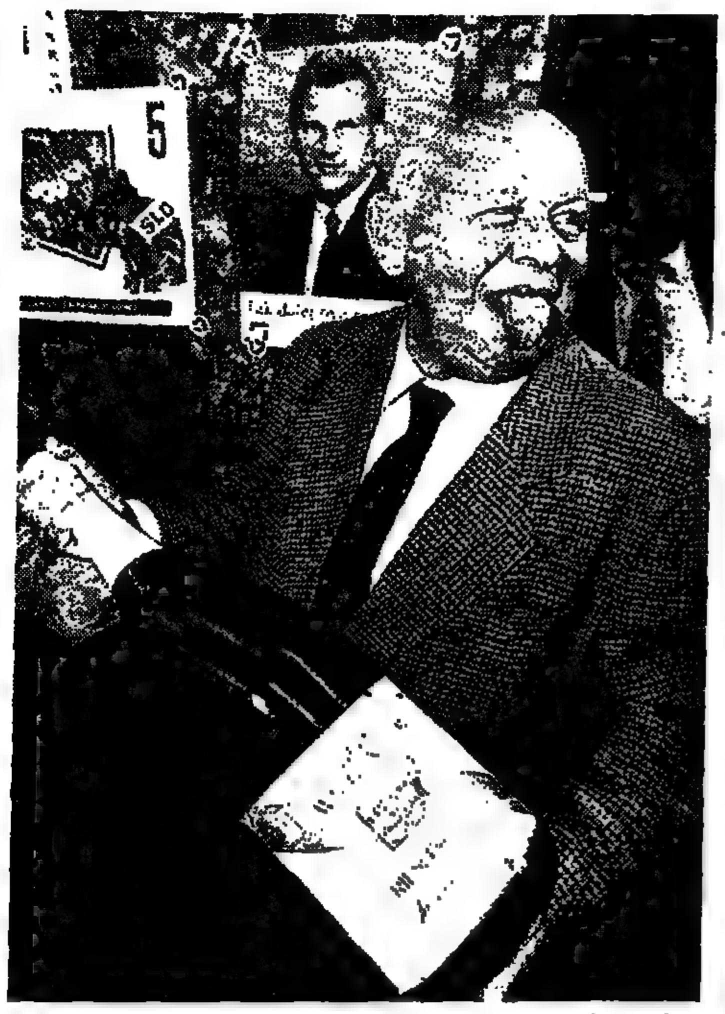
Under an agreement signed yesterday in Moscow by defence secretary Malcolm Rifkind, Russians will receive lessons in how to set up redundant officers happily in Civvy Street.

So, after many years teaching citizens of developing countries how to fight communism, Britain will now be training post-Soviet Russians how to be civilians.

FINANCIAL TIMES
Tuesday September 21 1993

Former communist party likely to be asked to assemble new coalition

Polish politicians seek partners



Associated Press
Election celebration for former government spokesman Jerzy Urban

By Christopher Bobinski in Warsaw

POLAND'S politicians yesterday began a search for government coalition partners following Sunday's election victory by the former communist Left Democratic Alliance (SLD), which won a fifth of the votes and more than a third of the seats in the lower house of parliament.

Preliminary results put the farmers' PSL movement into second place with a 15 per cent share of the vote. This party, which collaborated with the communists in the postwar years, is the dominant force in rural areas where 40 per cent of Poland's voters live and work.

Final results giving a breakdown of the 460 seats are expected tomorrow and it is then that President Lech Walesa will name a party leader to form the next government. He has already stated that he will choose the largest single party, although he has no constitutional obligation to do so.

Yesterday Mr Alexander Kwasniewski, the 39-year-old leader of the SLD said that he was "elastic" about possible talks with coalition partners. But he made no secret of the fact that he would prefer to work in the next government with the Democratic Union (UD), a mainstream Solidarity-based party which won only 10.5 per cent of the vote.

According to one western banker in Warsaw, a coalition between the UD and the SLD would provide guarantees "that privatisation would continue, maybe in a slightly different form with possibly a greater accent on employee buy-outs". The rural-based PSL is regarded as the most suspicious of privatisation.

Leaders of the UD met last night to discuss their next move. Earlier in the day, however, many reacted to the initial election results with talk of going into opposition and leaving responsibility for the next government in the hands of the PSL and the SLD.

Poles in general yesterday greeted calmly the news of the victory by parties with a communist past, and foreign exchange vendors reported no signs of a rush to purchase currency in response to fears of higher inflation. Demand remained strong on the Warsaw stock exchange, albeit at a lower price level. The WIG indicator fell by six points.

About 52 per cent of the 28m electorate voted compared to a 43 per cent turnout in the last elections in the autumn of 1991.

In London Poland's commercial bank debt traded at 36¾ cents to the US dollar on the secondary market, falling slightly by three-eighths of a point on Friday's price as the market decided that chances of a successful conclusion to debt reduction talks with western commercial banks remained high in spite of the election results.

Reform warning; Kwasniewski profile, Page 2
Editorial Comment, Page 15

Finns to debate new nuclear plant

By Hugh Carnegy, recently in Helsinki

EUROPEAN energy industry leaders and environmentalists will be watching the Finnish parliament closely today as debate opens on whether to approve construction of a nuclear power plant.

The project, one of a few of its kind in Europe, has become the focus for wider arguments over the merits of nuclear power. Within Finland, it has prompted sharp debate in recent years, with the outcome of a free vote by MPs due on Friday still uncertain.

Commercial interests are watching developments closely. Bids to build the proposed FM10bn-FM15bn ($1.75bn-$2.62bn) plant have already been received from ABB Atom of Sweden, Atomenergoexport of Russia and NPI, a consortium formed by Siemens of Germany and Framatome of France.

Finland already has four nuclear reactors, built in the 1970s, with a total capacity of 2,300MW. They supply about a third of the country's electricity needs. Two, at Loviisa, east of Helsinki, are Soviet-made pressurised water reactors with Finnish control systems. The other two are Swedish-built boiling water reactors at Olkiluoto, on the south-west coast.

In 1975, talks began on building a fifth reactor of about 1,000MW capacity at one of the existing sites. By 1986 the authorities were close to giving the go-ahead when the Chernobyl nuclear accident led to radioactive fallout over Finland.

The project was frozen until two years ago. The cabinet finally gave its assent, by an 11-6 vote, in February, but that only intensified a debate which has split the two largest parties, the governing Centre party and the opposition Social Democrats.

Mr Markku Nurmi, a member of the national Energy Policy Council, says Finland should not buck the international trend away from nuclear power. He rejects projections showing steeply rising demand for electricity as outdated.

But Mr Juhani Santaholma, head of the nuclear power utility Pevo, says electricity consumption has gone on rising in spite of a fall in overall energy consumption resulting from recession and several mild winters. He insists that demand will rise significantly and that a new nuclear plant is the only realistic way of bridging the gap.

Finland's energy-thirsty and powerful forestry industry is behind Pevo, as are the unions. But the anti-nuclear camp has some key supporters of its own, including Mr Esko Aho, prime minister and leader of the Centre party.

Middle East aid call

Continued from Page 1

and in need of basic economic and community development.

A World Bank study has estimated the immediate infrastructure investment requirements at $3bn over the next eight years, while the PLO's own development programme envisages at least $2bn a year in the first two years to help rebuild the area's economy.

Mr Christopher has already been in contact with other countries, including Japan, about the donors' conference. The Japanese government is considering contributing $100m a year to Palestinian communities, according to weekend press reports.

Mr Christopher's speech yesterday was the first in a series planned over the next week as an explanation of Mr Clinton's foreign policy.

Mr Clinton himself is scheduled to address the UN General Assembly next Monday in what is expected to be his most comprehensive foreign policy statement since taking office.

German coalition meets

Continued from Page 1

"Instead of a Party" – which won eight seats in the city parliament with 5.6 per cent of the vote, although it has no political platform.

The extreme rightwing parties, the Republicans and German People's Union (DVU) split the far right vote, leaving neither with enough support to win seats – to the universal relief of the main parties. The Republicans gained 4.8 per cent, just 1,430 votes short of the 5 per cent level required. All the protest parties won a disproportionate amount of support from younger voters, and again Mr Kohl's CDU performed particularly badly. In every age group up to 45, the Greens polled better than the CDU, according to the opinion research group Infas.

The Republicans, supported clearly by more men than women, also did well among voters under 24 – gaining some 12 per cent support. The Statt Partei attracted mainly dissident middle class CDU voters.

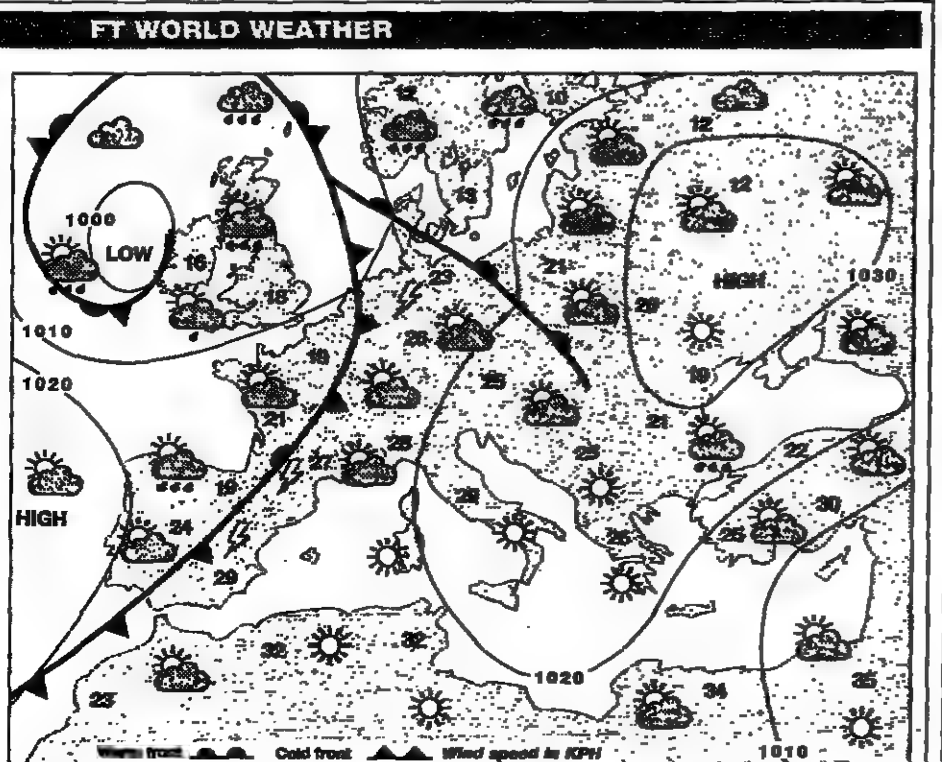
FT WORLD WEATHER

Europe today

The British Isles will have a mixture of cloud and sunshine with showers, especially in the west. Thunder showers will develop along a frontal zone over north-east Spain, France, the Low Countries and western Germany. Ahead of the front, it will be warm with afternoon temperatures exceeding 25C. Norway will have rain associated with the front. Elsewhere in Scandinavia, there will be sunny spells. Eastern Europe will be dry with sunny periods. South-eastern Europe will be mainly sunny under a high pressure area. The warmest spot will be southern Italy with afternoon temperatures up to 30C.

Five-day forecast

Showers will continue to develop over the British Isles. From Friday a new depression will bring overcast and rainy conditions to the UK. Western Europe will have sunny spells and a few showers moving in from the west. A frontal zone will move east causing thunder showers. On Wednesday and Thursday, showers will mainly fall over eastern France, the Alps and Italy, and by Friday over Poland. North-west Spain will remain unseasonably cool with some showers. South-eastern Europe will stay rather sunny and dry.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Belfast	shower	16	Cardiff	shower	16	Frankfurt	fair	25	Malta	sun	30	Rio	fair	22
		Celsius	Belgrade	sun	24	Chicago	fair	21	Geneva	fair	23	Manchester	shower	18	Riyadh	fair	40
Abu Dhabi	sun	40	Berlin	fair	27	Cologne	thund	23	Gibraltar	fair	27	Manila	cloudy	28	Rome	sun	28
Accra	thund	28	Bermuda	fair	30	D' Salaam	thund	30	Glasgow	rain	16	Melbourne	fair	14	S. Frsco	fair	21
Algiers	sun	32	Bogota	fair	19	Dakar	fair	31	Hamburg	fair	23	Mexico City	fair	20	Seoul	fair	27
Amsterdam	rain	19	Bombay	cloudy	31	Dallas	thund	32	Helsinki	fair	14	Miami	sun	31	Singapore	thund	31
Athens	fair	25	Brussels	rain	21	Delhi	fair	35	Hong Kong	fair	31	Milan	fair	28	Stockholm	fair	16
B. Aires	thund	20	Budapest	fair	21	Dubai	sun	38	Honolulu	fair	32	Montreal	fair	18	Strasbourg	thund	25
B.ham	shower	17	C.hagen	cloudy	20	Dublin	shower	16	Istanbul	sun	22	Moscow	cloudy	11	Sydney	fair	21
Bangkok	cloudy	32	Cairo	sun	35	Dubrovnik	fair	26	Jersey	rain	17	Munich	fair	26	Tangier	sun	25
Barcelona	shower	26	Cape Town	fair	25	Edinburgh	shower	16	Karachi	fair	33	Nairobi	fair	29	Tel Aviv	sun	32
Beijing	thund	27	Caracas	shower	29	Faro	fair	26	Kuwait	fair	42	Naples	sun	30	Tokyo	shower	28
									L. Angeles	fair	23	Nassau	thund	33	Toronto	shower	17
									Las Palmas	sun	27	New York	sun	20	Tunis	sun	32
									Lima	cloudy	20	Nice	fair	26	Vancouver	sun	18
									Lisbon	fair	21	Nicosia	fair	32	Venice	fair	26
									London	shower	19	Oslo	cloudy	13	Vienna	fair	23
									Lux.bourg	thund	20	Paris	rain	19	Warsaw	fair	20
									Lyon	thund	25	Perth	fair	18	Washington	shower	24
									Madeira	fair	28	Prague	fair	25	Wellington	shower	10
									Madrid	fair	25	Rangoon	shower	32	Winnipeg	fair	19
									Majorca	fair	29	Reykjavik	rain	11	Zurich	fair	25

THE LEX COLUMN

Private anxieties

On first reading, the omens for France's privatisation programme are encouraging. The Paris equity market stands a shade below the new high reached last month. Money markets are anticipating steady interest rate cuts, albeit at a pace dictated by the Bundesbank. French companies appear enthusiastic participants in alliances engineered by government, such as Saint-Gobain and CAP in the case of BNP, the first on the block. Such cross-holdings will ease the burden on the stock market.

But without a system of big funded pension schemes to support privatisation, France must persuade its retail investors to switch savings out of money market instruments into equities. Recently traffic has been in the opposite direction. An appeal to patriotic sentiment helped make a success of the Balladur bond, but that instrument was blessed with a healthy yield. It is difficult to envisage large scale transfers into equities while money market rates remain high. International investors might equally lose faith in French equities if lower interest rates are not seen to be the main ingredient of the policy mix.

True, the government has good reasons for not cutting rates while its reserves are depleted, for fear of leaving the franc exposed. The natural assumption is that recession and rising unemployment leave no alternative but to cut rates as fast as the currency allows. The danger is that such an assumption reflects a peculiarly Anglo-Saxon reading of the available options. Yesterday's edict against public sector job cuts, like the revolt against Blair House, underlines that there is more than one way to skin *un chat*.

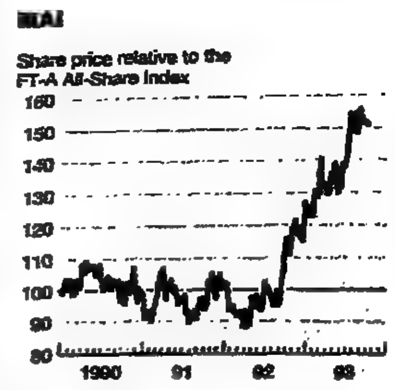
UK mortgage market

Britain's building societies cannot be enjoying the recovery very much. Not only are the clearing banks – and ironically Abbey National in particular – taking an increasing share of new mortgage lending. They are also suffering a remorseless deposit outflow as customers are lured away by unit trusts and National Savings. After the ravages from the weak housing market, it is tempting to conclude that the societies face an intensifying structural decline.

Such a conclusion would be premature. The latest pressures reflect, above all, the interest rate cycle. With the mortgage rate 2 percentage points above base rates, banks, which can borrow freely in the wholesale markets, can earn a handsome margin. That they devoted little effort to retaining retail deposits as interest rates came down suggests their current behaviour is more opportunistic than a systematic attempt to increase market share.

Presumably the banks would lose interest in mortgage lending if base rates went up and their margins were eroded. That would also see a flow of savings deposits return to the building societies. They can afford to wait: their mutual status means they are not obliged to deliver constant growth. The slight improvement in the housing market even seems to have slowed the consolidation process down. Only three mergers have been completed this year compared with five in 1992 and seven in 1991.

FT-SE Index: 3004.5 (-1.0)



Source: FT Graphite

Morgan Crucible

After more than £200m of rights issues since 1989, it comes as a relief to discover that Morgan Crucible can finally generate some cash. Since the Holt Lloyd car-care business is also suddenly making much larger profits, it should turn out to be worth more than the £50m or so of disposal proceeds previously pencilled in. Once it is sold, the rights issue fears which have held the shares back should be a thing of the past.

That, at least, was yesterday's market reading. The danger is that, having been down on the company for so long, sentiment will swing too far in the other direction. That Morgan managed a £24m reduction in working capital during a period when sales rose nearly 20 per cent suggests that management tolerated a lax approach in the past. Other features of its interim results suggest the business is being run with an eye to cash. The more limited use of provisions, though, may simply reflect a dearth of new acquisitions. Morgan's bad old habits could quickly re-assert themelves once gearing pressures are lifted.

From this perspective, any sale of Holt Lloyd could turn out a mixed blessing. Not only is it likely to be dilutive; without Holt Lloyd underlying operating profits would not even have risen by 1 per cent. Since trading conditions look set to remain lacklustre in Morgan's main markets, the temptation may be to go for something flashy – and risky – in a new activity or location. Once it has sold Holt Lloyd, Morgan Crucible must show it can use its new freedom wisely.

MAI

From the outside, MAI looks like an enigma wrapped in a money broker. In an industry notorious for its volatility, MAI has a very consistent track record. Diversification is frequently the death knell for a focused business. Yet the cash thrown off by MAI's money broking machine has been invested in industries from television to debt collection, and the company continues to do well. MAI even has a property division, whose concentration on prime locations and top quality covenants was well timed, making the investment a quasi-financial asset and home for part of the company's cash pile. The management has skilfully kept this collection of disparate plates spinning, as the market has recognised in its rerating of the stock over the past year.

Perhaps the unifying characteristic of the businesses is no more than that MAI's management feels it understands them well. If so, then at least the board is playing to its strengths. There are problems – the insurance company Safeguard, for example, is being mauled by direct insurance sales, and will find it hard to become competitive. But then, Meridian, which has the southern ITV franchise, will move into profit soon. The company has ambitions in media and value-added information services which pitch it against stiff competition. Yet it still pursues opportunistic value investments like Intrum Justitia. At some point, a limit to management resources may force it to choose which path it wishes to tread. Fortunately, that moment has yet to arrive.

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FINANCIAL TIMES SURVEY

USING COMPUTERS IN BUSINESS

Tuesday September 21 1993

THE COMPUTER used to be a special machine, tended by special people, in a special place. Not any more. It is comparatively rare to come across a business, however small, whose participants do not use computers in some way, or cannot see the benefit of doing so.

A much-quoted estimate, attributed to the US Environmental Protection Agency, suggests that by the year 2000, computers will account for the consumption of nearly 10 per cent of all electricity.

For many companies, the computer has moved to the centre of the business, an assertion that software suppliers (particularly of database and decision-support products) are fond of making. At the core of organisations such as banks, insurance and building societies is the information they hold on customers. Such businesses simply cannot function without computers.

Yet despite moving to the centre of activity, computerisation has become less centralised. Not so long ago, computers were distant, and personal contact with them rare. A vista of terminals, glimpsed though a basement window in the city centre was as close as most people came to computer.

Now, in every high street, ordinary people can be seen perched at their PCs. Call into a tiny back-street insurance broker, and the assistant can bring up a choice of policies up on a PC screen within minutes.

Anyone who uses a high-street cash dispenser interacts with a computer, but it is increasingly likely that using the computer also forms a part of the working day, as with the broker's clerk. For the people with whom he or she deals by telephone, in the insurance company itself, the computer may define the entire job.

Systems, like people, have a natural life cycle, and the advances in technology are making it possible for systems to live longer. In the last few years, such developments as graphical user interfaces (GUIs) have made computers easier to use. That has implications of its own. You, the user, have to fulfil the other side of the bargain, which is that using a computer must become just one of a battery of quotidian skills, as mundane as using the telephone.

CONTRASTING SYSTEMS, falling prices: In 40 years, the computer industry has leapt forward from the IBM valve computer (pictured left, in 1954 in its special floor-cooled room), to today's "all-singing, all-dancing" PC network, shown above, running at a fraction of the cost of early number-crunching computer systems. The software demonstrated here is PictureTel Corporations's Live PCS 100, which integrates the telephone with the personal computer. This adds global video-conferencing to the activities on the screen in full-colour and motion

Big change in users' expectations

New developments have made business systems easier to use. Some tasks may have been de-skilled, but users are expected to become ever more versatile in return, argues **Claire Gooding**

This "democratisation" of computing, as it has been called, brings a new set of pressures to both end-users and the organisations employing them. These are very different from the traditional information technology (IT) concerns such as speed of response and control of users. They include portability of software and skills, the rapid falling of hardware prices, and, with the spread of the user-base, ergonomics and health and safety.

Companies are also waking up to cost issues such as electricity consumption. Analysts have estimated that unused systems, left on across Europe overnight, consume the output of two power stations.

In reaction, Siemens-Nixdorf has produced the PCD-4L, "the Green PC," which can switch itself off if necessary. Thoroughly environmentally friendly, it needs a special monitor to maximise the benefit from all the power savings, which can be as high as £50,000 for 2,000 users.

While environmental concern is a 'must' in the US, it may take 10-15 years to percolate through to the UK, according to Jennifer Parry, industry marketing manager for Siemens Nixdorf PC business unit – "I don't think UK corporate decisions take into account environmental issues as much as in other European countries," she says. "Senior managers are not really aware yet: it's a whole cultural phenomenon because computers have not – until now – been prolific."

Users' expectations of systems have changed, raised by the apparent accessibility of the PC and its ease-of-use. Boardrooms, used to spending millions annually on preserving their computer power, are asking for more in return. Some of the technical issues appear to be approaching resolution in a shake-down that has affected the entire industry.

Open systems have already forced down the price of hardware. Software is becoming more portable and easier to use with object-oriented computing, and everything – hardware, software, systems software – has to be integrated. "Computer shall talk unto computer, and the PC shall lie down with the mainframe," says an industry analyst – and this puts pressure on software and hardware suppliers.

With margins cut and competition fierce, suppliers are looking for new sources of revenue and dependency from user organisations. Suppliers who were once easily tagged as hardware manufacturers, software houses or consultancies are now scrambling for new areas of business, including systems integration and support, and business process re-engineering.

In recognition of the new order, older mainframe systems have become known as "legacy" systems. Such systems are still at the heart of most large organisations and they have a life cycle of their own. Now included in that life are developments such as the "disaster recovery" centre, a development forced upon occupants of larger cities following recent terrorist attacks.

Another significant trend is towards facilities management, (FM) or outsourcing. In some cases this can be likened to putting ancient systems "into a home." In FM, the legacy systems get handed over to experts, while the user company is freed to concentrate on its core business, often developing new, more flexible client-server systems, based on smaller, less expensive computers.

In recent US contracts, one leading supplier, EDS, has approached IT facilities as potential profit centres, taking a proportion of savings/profit as its payment.

A number of hardware manufacturers have diversified. Many have entered into "partnerships" with software suppliers. Unisys, once wholly a hardware manufacturer, now frankly claims to be an impartial advisor to its users, in competition with traditional consultancies.

All service providers may profit from the distributed support needed by the heterogeneous networked systems brought about by "downsizing." Support-costs have not disappeared, but they have been dispersed. The responsibility for support and control appear to be devolving too, and the user is expected to do some of the tuning, the maintenance, and the backup that was once managed by specialists.

In effect, we all have to become more skilled, to cope with systems that can themselves do more. Technology is producing systems which "de-skill" specific tasks, but demand more diverse skills from users. Desktop publishing (DTP) provides one good example of this: one small system in the corner, acquired for presentations or the newsletter gradually expands its use, but only a few in the office really understand it. Even they only use a fraction of the software.

Another example comes from Rank Xerox's recently launched colour photocopier, which brings astonishingly faithful colour reproduction in-house. Its mastery actually takes some time, but before long, people will take it for granted as they do the mono photocopier, which once needed a one-day training course.

Anyone, anywhere, is now a potential computer user. Portable and remote computing has become part of the daily pattern of business. The executive who once got information from subordinates is now as likely to get daily facts from a laptop.

For example, VAG, part of the Volkswagen group, has implemented an entire sales information system based on Pilot's LightShip, which has restructured the entire business around home-working sales managers. But business process re-engineering, as many a redundant British Telecom

Continued on next page

ALSO IN THIS SURVEY:

First Direct, above, the first UK remote banking service. Its success has forced other banks and building societies, such as TSB, to re-examine their own processes to improve efficiency and offer enlarged services to users, some by telephone, some via automatic telling machines (ATMs).

■ BUSINESS PROCESS RE-ENGINEERING

New ways to become lean and mean

Suddenly the phrase 'business process re-engineering' is on the lips of every computer industry pundit, writes **Claire Gooding**

IT SOUNDS innocuous, abstract even, but the term "business processing re-engineering" (or BPR, for short) can mean losing your job. Unless, of course, you are a BPR consultant.

Definition of the phrase varies, but many of the people who have been through the process seem to agree about two things. One is that they only discover the buzzword "BPR" only after they have been through the process, and then recognise that business process re-engineering is a description of what they have done.

The other definition – much more grim – is that business efficiency usually means making people redundant. "Lean and mean" is a phrase that echoes from another decade, but it sums up the essence of BPR.

Business process re-engineering really means re-examining an organisation and its operations. It is a matter of establishing what is at the core of the business, what

The concept can radically change an organisation and its efficiency levels

makes a profit, what can be sacrificed.

First, why do it? The conditions in which most businesses operate have changed, and the rate of change seems ever faster. Product cycles are shorter, margins are being cut, once faithful customers are offered with a wider range of choices. Once a business is up and running, people rarely think about how to change it because they are simply too busy running it. Doing more of the same is easier than accepting the need for change.

So far, not a word about information technology – that is as it should be, because the process starts with *the business*, not the technology. But running a business more efficiently and with fewer resources inevitably involves technology. For all the organisations who volunteered their stories for this survey, getting the IT right was a large part of the equation.

The role of IT can be in the actual organisation and administration of a company, where such tools as electronic mail, workflow systems and document image processing can make a difference. More often, the process is an intense self-examination which turns the spotlight outside the organisation itself to the needs of the customer.

Several building societies are among organisations which have used BPR to effect. They are exemplary because of the changing pressures upon their particular market sector: competition with banks, the property recession, fierce competition, and a foray into estate agencies which has been a disastrous experiment for some.

For them, as for insurance and banking companies, the computer system has become the essence of what they do. Flexibility, the need to adapt and keep adapting, is vital.

The TSB recently carried out research which is having a fundamental effect on it business. It discovered that customers cared very little about the locality of branches, and were quite happy to have a wider range of services delivered by an "impersonal" automatic telling machine (ATM).

Pilot projects in Watford and Tyneside are already proving the point. Another project arising from the self-examination is a centralised customer database that will keep and relate all customer details. TSB wants contact with the customer at one point, so that customers do not get different communications from various sections of TSB concerning mortgage, insurance, savings, and so on. This will save form-filling, and enable TSB to offer services such as the single centralised "financial health" statement.

By relating products and people, it is already able to offer a Family Savings bonus, a unique offering according to TSB's marketing director Mike Sommers. Keeping costs down is one of the drivers of the project – "It's a critical issue for all service companies to find a lower cost method of delivering a similar or better level of customer service," says Mr Sommers.

"In fact,we can offer a better personal relationship at a lower cost by using technology, from its simplest applications – the telephone – right up to the sophisticated applications of expert systems."

Behind the message of efficiency and centralisation is another (less explicit) saving on manpower.

At Bradford and Bingley, there has been an equal concern to respond quickly to changing opportunities in the marketplace. Bradford and Bingley has been through an re-engineering exercise with the help of Computer Sciences, whose management consultancy division CSC Index claims to have evolved the doctrine.

The chairman of CSC Index is James Champy, joint author (with MIT professor Michael Hammer) of the book *Re-engineering the Corporation*. Champy is credited with having invented the phrase "business re-engineering," and has registered the term in the US.

In a very similar exercise to TSB's, the project at Bradford and Bingley has been to provide a customer-based administration system, CBAS. The process of re-engineering started with the identification and analysis of 220 discrete business entities. These are brought together in a single database, with associated marketing and business applications, which now supports the core business of retail financial services with over 33 business processes and 390 separate functions.

Index is sensitive to the "human resource element" of re-engineering, known bluntly elsewhere as unemployment. Aware of the potentially disastrous effects on staff morale, it offers a special computer-lab for modelling the effects of the exercise on personnel, with the idea of avoiding trauma by redeployment wherever possible.

Yet another term, "enterprise engineering," comes from the long-established industry pundit, Dr James Martin, chairman of James Martin and Co.

"Business re-engineering will only deliver its promises if it radically changes the organisation and all those who interact with it," says Mr Martin.

"To do this, managers need to take a holistic view of an organisation – looking at strategy, process, technology and people – to create new ways to add value, improve quality, and ultimately gain customer satisfaction."

Software companies and consultancies have been quick to react by producing appropriate tools and methodologies. One system, now in use at insurance company Sun Alliance, is SES Workbench, a graphical tool for modelling business processes, from Scientific Engineering Software UK in Abingdon. It is used to model business projects and products in detail, including the software and hardw are underlying them, and they way they behave under different workloads.

Even more specialised, software supplier JBA, a specialist in applications for the IBM AS400, has evolved a methodology called "co-existent manufacturing." This has evolved from customer-based systems in the food and drink industry, striving for more streamlined, same-day delivery.

According to Susan Lock, international business development manager at JBS International, "every layer of an organisation can really contribute to the notion of customer service and to the needs of the market."

One sad example of a company that has failed to attune itself to new conditions comes from the computer business itself. The world's largest computer manufacturer, IBM, is now faced with gross overmanning, and an overhaul of its fundamental thinking.

Other computer manufacturers, such as Unisys, Olivetti, and Siemens-Nixdorf, have accepted that selling "boxes" is no longer profitable enough. They have diversified into such areas as service and facilities management, applications consultancy, and are even keen to be seen as independent consultants.

In the case of Unisys, this means not only competing with the better-established consultants such as AA

Computer software companies have been quick to produce appropriate tools

(Arthur Andersen), but accepting that it might be obliged to recommend equipment other than its own where that is the best solution in the circumstances.

Business process re-engineering seems to be a direct descendant of "Organisation and Management" – studies of activity and costs, done for the health and continued development of the organisation. But it has two extra tools hidden behind the clipboard. One is a computer – the other is an axe.

■ DOWNSIZING

A case of horses for courses

After the rush to 'downsize,' the computer industry now talks about 'rightsizing' as the solution to the conflict between mainframe and PC technology, says **Philip Manchester**

AT the dawn of the microprocessor age, Professor Edsger Dijkstra, one of the great pioneers of computing, said that he could not understand the euphoria about the new technology. He was especially confused by the financial justification for its appeal. In a controversial speech to the 1977 IFIPS meeting, Professor Dijkstra said: "A quarter of a century ago we were told that computers were so expensive because they were so great. Now we are told that microcomputers are great because they are so cheap!"

This argument is still used today to persuade computer users to throw out their big, old, expensive computers and replace them with small, new, cheap ones. Known as 'downsizing,' it promises, once again, to produce better information technology systems cheaper and quicker than before.

The catch is, as Professor Dijkstra suspected, that replacing a large, central computer resource with many smaller, distributed computers is not a simple task. Downsizing may well bring benefits in the form of better user interfaces and

Whether the best solution is 'downsizing' or 'rightsizing,' either way it costs money

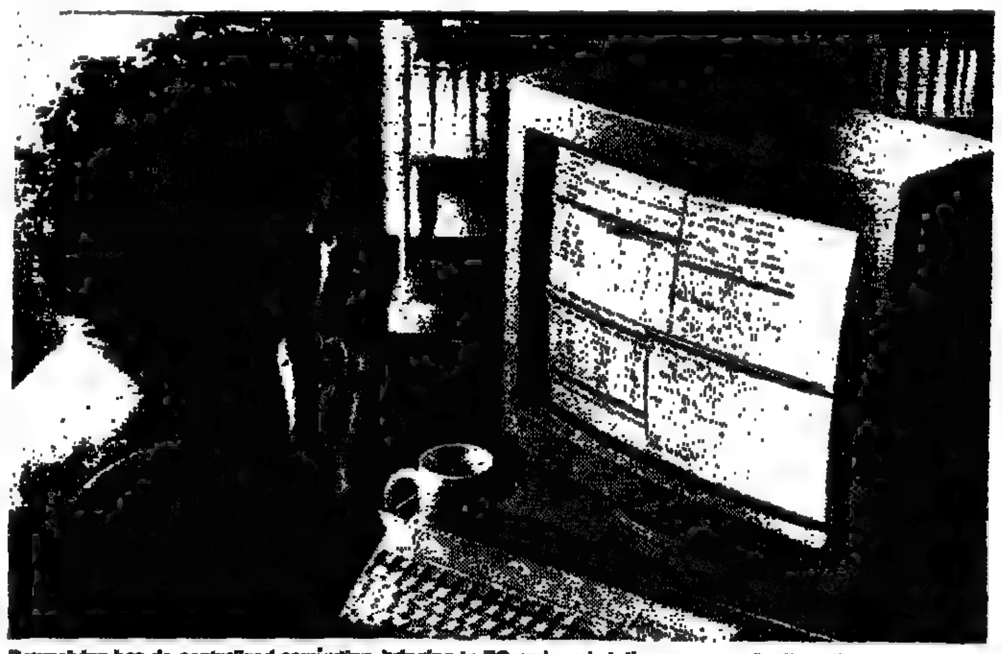
exciting new applications like multimedia and workgroup computing.

The essence of these applications, of course, is the distribution of computer power to where it is needed to support business functions. Downsizing has been caught up in this because of the dramatic difference in hardware costs between mainframe and PCs. The real issue is to find the right sized system to support the function.

Increasingly, therefore, the industry talks about 'rightsizing' as the solution to the conflict between mainframe and PC technology. Either way it costs money. The savings which come from using PC hardware technology can easily be consumed by software integration, communications and training costs. This often means that a 'downsized' system might not save as much the low hardware costs would indicate. This is a strong argument for mainframe users to carry on as before.

Mainframe manufacturers argue that users can gain the benefits of modern technology by replacing their text-based terminals with PCs and keep the mainframe as a central database server.

Indeed, this is the route that most medium to large corporations have chosen and is a good example of 'rightsizing.' They can satisfy their users demand for better front-end interfaces, while keeping control over their central data resources. The front end of the system is 'downsized' but the back end remains on the big mainframe.



Downsizing has de-centralised computing, bringing to PC and workstation users applications that used to belong on the mainframe. Although this brings flexibility in applications, choice of hardware, and working patterns, it also devolves to end-users some of the responsibility for software management.

There is a strong argument, however, that the mainframe's role as a central server will also disappear to be replaced by banks of high-performance, 'super-servers' based on multiple PCs.

"The way things are going, you can see a finite life for the mainframe. PC or 'bottom-end' computing power is increasing at a phenomenal rate," says Steve Crawley, product manager with PC builder AST Europe.

While he acknowledges that mainframe still possesses an important edge, Mr Crawley sees it as only a matter of time before PC technology catches up and overtakes current mainframe technology.

Currently the mainframe's edge comes from an important difference in design. Mainframes have a mechanism called a channel which lets them move data around inside the computer much more quickly than current PCs. This is especially important in large systems like those used for flight reservations or banking, but it applies to any business system where many users need access to the same database.

PCs are designed differently. In place of a channel they have a 'bus' for moving data around inside. This means that, while a PC processor may be as powerful as a mainframe, it is not well-suited to traditional data processing.

This can be solved by re-designing the PC, of course. But the need for compatibility between successive generations of PC has meant that progress towards a faster bus has been held back.

New standards for faster bus speeds promise to break down this barrier, however. This will let the PC compete with the mainframe on equal terms.

"The need for compatibility has held back the technology in some ways. But we are approaching a time with the new standards where this is going to change. Intel's PCI and VL bus standard open up the potential for much faster PCs," says Mr Crawley.

AST, in common with other PC manufacturers, is working towards multiple processor systems which can harness the power of several microprocessors.

Mr Crawley says that such systems make it possible to offer equivalent performance, storage capacity and reliability as a mainframe: "Our Manhattan 'super server' brings multiple processors together with new storage technologies to create a viable competitor to a mainframe system," he says.

He goes on to add that such systems can be made as reliable as a mainframe by duplicating components and functions. The processors are relatively cheap, so such systems can be engineered with 'redundant' components to ensure reliability.

Mr Crawley also dismisses criticisms that the problems of co-ordinating software in multiple processor systems: "All sorts of people are working on this problem with some success. Compaq and ourselves are doing a lot of work. And so is Microsoft with its NT operating system and Novell with its Netware product. Both of these are dripping with network management features," he asserts.

There is no doubt that, in the short term, the mainframe will continue to occupy an important role in business systems. There are certain processes – like the administration of large numerical databases – which it performs adequately and, sometimes, well.

More important, most businesses have enormous investment in their mainframe systems and cannot afford to replace them.

PC superservers pose a real threat, however, and over the next few years as bus bandwidth and processor speeds both increase, they will be able to match and overtake mainframe systems.

Ironically, the PC superserver will not look much different to what we now call a mainframe. Perhaps, the distinction will disappear altogether and it won't matter what they are called – as long as they are cheap.

Users' frustration

Continued from previous page:

manager will affirm, is often a matter of shedding middle managers and improving the workflow between those who remain.

Around a quarter of the UK workforce, 5.5m people, now use IT in their work, according to a recent report by West London Training Enterprise Council. The report, *IT skills in the 90s: Overcoming Obstacles to Growth*, suggests that a national shortage of IT skills in the UK is threatening economic recovery. Although the number of IT users are expected to double in the next few years, there is little, if any central IT strategy.

"There is no consensus on who needs what skills – and why," says Marco Capp, a one-time partner in the Coopers & Lybrand consultancy who now advises the IT Skills Forum set up by the West London TEC. Training cannot help until there is some clear definition of the key skills needed, although Marco Capp points out that new developments such as multimedia might help.

He tells a story of a leading pharmaceutical company whose ancient stock system often got out of step with the shop floor. A rewrite of something so fundamental was out of the question, but a concentrated training effort, centred on a £200,000 multimedia programme, gave it a new lease of life – "a normal training course could cost hundreds of pounds per person, but that cost a mere £70 per head in getting 3,000 people up to speed in one system."

The basic problem, he says, is that companies are frustrated –"they feel they are not getting a lot out what they have spent."

☐ *'IT skills in the 90s: Overcoming Obstacles to Growth,' £25 for management summary, £235 for full report, from West London TEC, Tel 081 577 1010.*

USING COMPUTERS IN BUSINESS 3

■ CLIENT/SERVER SYSTEMS

New name for an old idea

Although the client/server concept has emerged only recently, it is based on well-established ideas of how computer power can be distributed effectively for better business systems, says Philip Manchester

THERE are few new ideas in information technology – only variations on well-known themes. Despite outward appearances, the advance of information technology is usually gradual and evolutionary. There are, of course, occasional "great leaps forward" like microprocessor chip fabrication technology or the relational database. But mostly, progress is slow. Users cannot afford to throw out technology and systems in which they have invested much effort and large amounts of money. So they stick to what they know until the pressure to change is irresistible.

The arrival of low-cost personal computers and networks has created enormous pressure for change – with the result that increasing numbers of companies are turning to these technologies to save money and build more flexible IT systems. Networks of cheap computers are now able to match traditional mainframes in performance at a much lower cost.

The client/server model – a design approach for building IT systems using networked computers – is central to the shift away from central mainframe-based computing to distributed systems. The client/server model separates the functions of an IT system and distributes them across several computers. Client computers – typically PCs or workstations – provide a 'friendly' front end and some local processing features. Server computers, located elsewhere in the network, provide services such as database storage, electronic mail and transaction processing.

'The big advantage is that client/server lets us re-design how people work'

The main advantage of the client/server model is that each component computer can be built to suit the specific tasks it is expected to handle. Front-end workstations and PCs can be equipped with graphics-based 'windowing' software to make them easier to use. Server computers can be optimized to access large databases or handle many transactions simultaneously.

Although the client/server model has emerged only a recently, it is based on well-established ideas of how computer power can be distributed effectively.

The UK's Girobank has used this approach to its systems design since the early 1980s and evolved gradually to a client/server system. It has always been a large user of computer power since it was founded in 1968 as the first 'telephone bank.' But in the late 1970s, Girobank needed a fundamental re-appraisal of its IT systems: "We needed to re-think the systems infrastructure and knew we would have to replace all of our core systems," explains Mr Paul Podesta, facilities and logistics manager at Girobank.

The demands of telephone banking meant that Girobank needed a system which was 100 per cent reliable, 24 hours a day. It had relied on ICL mainframes through the 1970s but decided to move away from a single, central computer to a distributed network.

It chose IBM mainframes, to handle batch processes such as statement production, and several Tandem Nonstop computers for online transaction processing. Girobank has several regional centres where the Tandem computers process the front-end transaction load and then pass data to the IBM mainframe. These systems are linked by a wide-area network which also has 2300 terminals and about 300 PCs connected to it. There are a further 1,000 PCs which are not connected to the network. The network must process over one and half million transactions each day in addition to supporting the 'back-room' tasks such as statement production and accounting. The Tandem computers act as clients to the mainframe system. The PCs, running Microsoft's Windows, are being used as the front end – or client – for some applications.

"We have invested in the PCs for their productivity benefits. It gives our users access to the 'warehouse' of data on the larger systems," says Mr Podesta.

The choice of Tandem systems has helped to ease the move to client/server computing. The Tandem software uses a technique called requester/server which is very similar to client/server. Both the requester and the server can be on the same computer – although they are separate software components.

"We have a consistent user interface across all of our applications and it has helped us to re-use software. A piece of server software can be called by many different client processes. The Tandem design enforces a structure which lends itself to re-usability.

"This makes the journey to client/server much easier." Girobank is well-positioned to move to the next stage and distribute more of its business logic to the network.

To make this move, Girobank needs the right tools and Mr Podesta currently sees this as a barrier – "the complexity is daunting in a large system. Small organisations can do it with a few PCs and a local area network. But it is much more difficult with a large organisation and the tools always lag behind the operating software and the hardware."

In the long-tem, client/server systems help to provide better business systems. An application area shown here is BT's PC-based video-phone, which is designed to revolutionise business communications in the next decade

He adds that it is still early in the development of large-scale client/server systems and design techniques have still to evolve: "We don't know what questions you need to ask when you design a client/server system. There is no body of knowledge to turn to so it will be a while before the tools are mature enough."

This in no way lessens Mr Podesta's enthusiasm for the client/server approach, however: "The real driving force is that client/server lets us re-design how people work. In the past we have built computer systems which implement sequential processes, changed the work to fit in with that and fragmented people's jobs.

"An accounts clerk used to work with pieces of paper – ledgers and so forth. Then the comptometer came along and took part of that job elsewhere. Computers have taken it even further.

"With client/server we can bring it all back together."

He is, however, realistic about the cost of the transition to client/server and notes that the real benefits are in the user area not within the IT department.

"The labour costs associated with distributed systems are higher – even though the capital cost of the hardware is lower. The users have to do more for themselves and they need support and training."

The long-term benefits which will come from client/server systems are related to their ability to produce better-designed and more useful business systems. Pioneers have begun to realise some of these benefits and Girobank, at least, is confident that there will be more to come.

■ WORKGROUP COMPUTING AND GROUPWARE

The pickaxe and the PC

Disturbing statistics indicate a high level of inefficiency through lost information in the average office, reports Claire Gooding

FOR future reference, file this FT survey somewhere safe, somewhere obvious. People waste a total of six weeks a year trying to find mislabeled, misfiled or misplaced documents, according to a recent survey of 200 executives by Xerox Corporation.

According to Xerox "collaboration is an instinctive foundation of our natural work processes", but currently, it doesn't seem to work that well. There are more disturbing statistics. They say that 50 per cent of projects are behind schedule, 60 per cent of an office worker's time is spent working with documents, and the average worker has 36 hours worth of work stacked up on his or her desk, and only 90 minutes in which to handle it.

Groupware brings separate software functions under one 'umbrella'

Even worse, anything up to 80 per sent of time is spent looking for the information needed to complete a task. This usually means going outside one's own personal domain, referring a problem or a document to someone else, and waiting for an answer. It is this problem that the computer industry is now addressing with such concepts as workgroup computing (also known as groupware), and workflow.

A chain-gang is a good place to start when looking for a definition of a workgroup. It is a group of people brought together from various places and disciplines, who have in common a task on which their efforts are jointly focused. The key to the modern workgroup is the PC, not the pickaxe, but the same principle applies. Working in unison is more effective than each person pecking away at their small corner.

The PC has been focused closely on "personal" productivity, with such products as word processors and spreadsheets aimed at creating a cosy environment for the individual. However productive on a personal level, these do not seem to have helped mass productivity.

Michael Skok, chief executive of Maidenhead-based ESP, distributor of the Forests and Trees groupware, sums it up bluntly: "In the past decade, US service companies had spent more than $800bn on information technology and bought more than 60m PCs. The power of the PCs has increased but white-collar productivity has only increased by less than one per cent per annum. Personal computing isn't the answer: there has to be workgroup information sharing."

Groupware is software that seeks to create that productivity by linking people who are focused on a task which can be anything from a one-off project to an everyday process.

One person can work simultaneously on different projects, and belong to several workgroups. This is an extension of the "message groups" long used in electronic mail (email). In fact, electronic mail is the basic ingredient of much workgroup software. Instead of dealing simply with messages originated by one person to another or to a group, the email principle is extended to embrace documents, spreadsheets, and any other form of information people need to pass to one another.

"Groupware" is a general term which brings under one umbrella a number of functions that may well have been managed in separate software tools, such as diary management, decision support, project management, conferencing, scheduling, and database access.

Groupware's role is not only in the dissemination of information throughout one building, but in crossing other barriers – the more physical and geographic ones of distance and "time windows."

This is becoming more important as organisations look for harmony across different countries in their IT strategies.

One of the problems of an email system is that it too can become a "closed shop," a cosy environment which builds its own walls, excluding anyone that doesn't have the right sort of terminal or PC.

It follows that a true "workgroup" solution must be able to embrace any sort of technology already in use, and allow users to link in different sorts of hardware.

The advantage of this is that the links can be extended outside the organisation itself. A good example of how barriers can be transcended comes from within the software industry itself.

Software 2000, the supplier of accounting packages for the AS400 IBM computer, is supplying software updates to its users for the latest version via the Lotus Notes package for Lotus Development.

Lotus claims to have swept the board with its Lotus Notes groupware, for which it has sold around 750,000 licences in the last two and a half years.

The product is used in around 3,000 companies worldwide, and Lotus has done extensive analysis on its customer-base, interviewing around 40 companies with more than 200 Notes nodes each.

According to its 1992 paper, *The Impact of Lotus Notes on Organisational Productivity*, the return on investment is, on average, well over 100 per cent, with payback taking place within three months or less.

One of Lotus' underlying principles has always been that Notes must provide open access to existing technologies. This means that it can be implemented without enormous cost, and without trans

Continued on next page

■ FACILITIES MANAGEMENT

An emphasis on partnership

Facilities management used to be a relatively simple idea – but not any more, writes John Kavanagh

IN the 1960s, 1970s and even early 1980s computers were so expensive that companies could easily cut costs by 30 per cent or more by contracting out the processing of their business systems.

In addition, the systems were well-suited to such arrangements. They were fed with details of transactions, such as orders and payments, and printed reams of reports, cheques and payslips.

But the dramatic fall in the cost of computing power and the development of fast and reliable telecommunications services have cut the price of the equipment, put business people on-line to information and inspired them to new thinking about ways to exploit information technology. And these developments have raised totally new approaches to facilities management.

Many traditional contracts lasting five years or more are still being signed: UK market leader Hoskyns, for example, has won orders from the likes of Prudential and Woolworths in the last year. The Inland Revenue is now examining tenders for a contract put at £300m and covering 2,000 staff working at 16 data centres.

In such contracts a service supplier takes over a company's central computer and the computing staff. The service usually eventually moves away from the customer's premises. The supplier makes much of its profit from its skills in running the maximum of processing work on the minimum of equipment.

In this sort of arrangement the supplier usually takes on

New ways of exploiting technology have led to fresh approaches to facilities management

the maintenance of the customer's programs. This is especially so now that companies are using facilities management increasingly to keep their old systems running while they introduce new systems, typically based on smaller, networked machines installed in business departments.

Customers and suppliers generally agree on the benefits of traditional facilities management arrangements. Studies by research firm Romtec and service supplier CMG show that users see the biggest benefits as being a guaranteed service at a fixed cost, known well in advance, and the fact that they are freed to concentrate on their core business.

However, the falling costs of mainframe computers and the fact that customers are looking at facilities management as a temporary measure while they move to new systems mean suppliers are having to rethink their approach to the business.

The 50 per cent annual market growth of the 1980s is now down to less than 20 per cent.

□ Tom Butler, above, managing director of EDS-Scicon: "We're putting our money where our mouth is."

□ Pictured left is a section of the control room of Computer Sciences Corporation (CSC), at El Segundo, California. Founded in 1959, CSC today employs 26,000 people worldwide, and claims to be the world's largest independent professional services company in the computer industry.

Meanwhile more suppliers are going for facilities management business: leading computer manufacturers such as IBM see much of their future in services rather than equipment sales; and companies with big computing set-ups are looking to the external market: Barclays Bank is a recent example.

"It's a very competitive market now and some suppliers are taking a long view," says Mr Jon Whiteley, a consultant at Romtec. "They are looking at making a profit only after three or four years, for example from new development work."

A note of caution is sounded here by Mr Gary Shepherd of service supplier AT&T Istel and chairman of the Computing Services Association's facilities management committee.

"There are thought to be 150 companies in this business now and there are some very poor deals being made, with users just looking at cost cut-

All FM suppliers now talk of partnerships with customers, rather than mere service contracts

ting and suppliers taking very low margins," he says. "This isn't doing the client, the supplier or the industry any good.

"These days the main suppliers are talking to customers more about partnerships, where we work together on long-term strategy and where there might be a sharing of the risk and the rewards."

Pioneering deals are certainly appearing. BP Exploration has signed agreements with service specialist Sema and British Telecom under which the suppliers win or lose depending on their performance.

"We only make a very small profit if we meet BP's targets for cost savings but we share the rewards if we beat them," says Sema director Mr Paul Hopkins. "We also stand to lose money if fail to meet the targets."

All suppliers now talk of partnerships with customers rather than service contracts. Indeed, contracts are being negotiated on new terms.

Computer Sciences Corporation has entered an 11-year agreement with BhS under which it will take over the company's computing and 115 staff but also work with it to sell the combined expertise of the two organisations to the retail industry.

EDS is going even further. The company is now signing contracts under which it will take on system development at no cost. But in return it takes a percentage of the business gains made by the customer.

Its first contract of this type in Europe is in Sweden with retail group Kooperativa Forbundet (KF), which EDS expects to be worth a massive $1bn over the next 10 years.

The contract involves a traditional facilities management arrangement, which KF is paying for at normal market rates, under which EDS is taking over KF's existing computing and 530 staff. But it also involves an agreement for the two companies to work together on a new information technology strategy for KF.

"We have a basic contract but the real incentive for us is to improve the way information technology supports KF's business," says Mr Tom Butler, managing director of EDS-Scicon, the UK operation.

"People look at facilities management in terms of reducing computing costs. Cutting those costs by 10 per cent looks good – but it's very little compared with the savings from, say, cutting your stock turnover from eight days to three. With this sort of contract we're saying we'll put our money where our mouth is and do that for you in return for a percentage of your savings."

The terms of the agreement with KF are not revealed but the partners are looking initially at the potentially lucrative areas of automated money transfer and credit cards.

Tom Butler expects this type of contract to account for 70 per cent of EDS' growth in the next three to five years.

So the company which invented facilities management in the 1960s looks set to take it on to a new plane in the 1990s.

Benefits of facilities management

- Frees managers to focus on the company's core business: 77 per cent.
- Provides greater financial control: 48 per cent.
- Moves IT from capital to expense item: 33 per cent.
- Reduces the operational risk: 24 per cent.
- Provides a strategic partner: 22 per cent.
- Provides a competitive advantage: 12 per cent.

Source: CMG.

Wide benefits of groupware

Continued from previous page:

gressing the "Not Invented Here" rule. This might explain why it has found such ready acceptance within other technology companies.

Intel, manufacturer of the microprocessors which provide the guts of many a PC, is an enthusiastic user of Notes. The re-organisation of its salesforce, (scattered in 80 worldwide locations linked by a private wide area network, or WAN) made it essential to have a clear route for the communication of bookings, billings and backlogs.

Mail, fax, and other feedback methods imposed a four-week lag in the production of a marketing plan. Now feedback is immediate, and daily.

According to Louis Burns, director of corporate marketing, Lotus Notes has made a big difference – "we have 1,000 people around the world working in islands. If we can work together, the group intelligence is much higher," he says. Concerns about integration with other software tools, and flexibility are noticeable in recent groupware launches. Xerox identifies integration, ease of "workflow mapping" and, thirdly, flexibility as the main concerns in the industry. Xerox uses uses an underlying software methodology (known as "object oriented technology") to create a client/server solution in its InConcert System, recently launched by the Xerox division Xsoft.

The client/server approach is more "open" in allowing several sorts of different hosts or terminals to be attached to one central server, and Xerox claims that its software can be used with other third-party software tools such as word processors, spreadsheets and calendars.

Another new product, claiming to leapfrog all existing developments, comes from Uniplex, a UK-owned company which managed to become the world market leader in office automation for Unix computers, by virtue of being the first, a decade or so ago, with a robust product. Now it is launching OnGo, which it claims as the first distributed client/server groupware solutions to run on all significant hardware platforms.

With OnGo it has launched another buzzword: "Enterpriseware," to describe the way that OnGo can convert files from other software applications for "mission critical" operations.

It is easy to assume that overcoming the technology is the only problem in introducing groupware and workflow systems. In fact, one of the most outstanding obstacles can be the people themselves.

Training is vital, plus a campaign of awareness to help staff think about what their jobs really are, and where better communications can help.

The evidence is, that once people discover the potential of collaboration via computer, they become creative, even imaginative, about the possibilities that open up.

Whither data processing?

Spread to the four winds

READING this FT survey on the train might make good use of your commuting time. If, that is, you are not already busy with your laptop and portable modem.

Even better, you could cut out commuting altogether by becoming a teleworker *(see the case studies on page eight of this survey).*

The suggestion regarding teleworking is now promoted with fervour by British Telecom, which cites productivity improvements of up to 40 per cent for home workers. A job in data processing of any sort used to presume a fairly sedentary sort of life, probably spent in a data centre somewhere, and all too often in a basement. A pretty view, and flexible working hours were low on the list of probabilities. But increasingly, the pressures in the computer industry and such movements as downsizing, enterprise-wide networking and client-server computing have forced organisations to look at de-centralisation.

While this has been seen as the death-knell of the traditional "dp" centre, (a rumour much exaggerated) it actually creates a number of new opportunities for people in the IT industry and beyond. As computers become "distributed", so do people, and work opportunities.

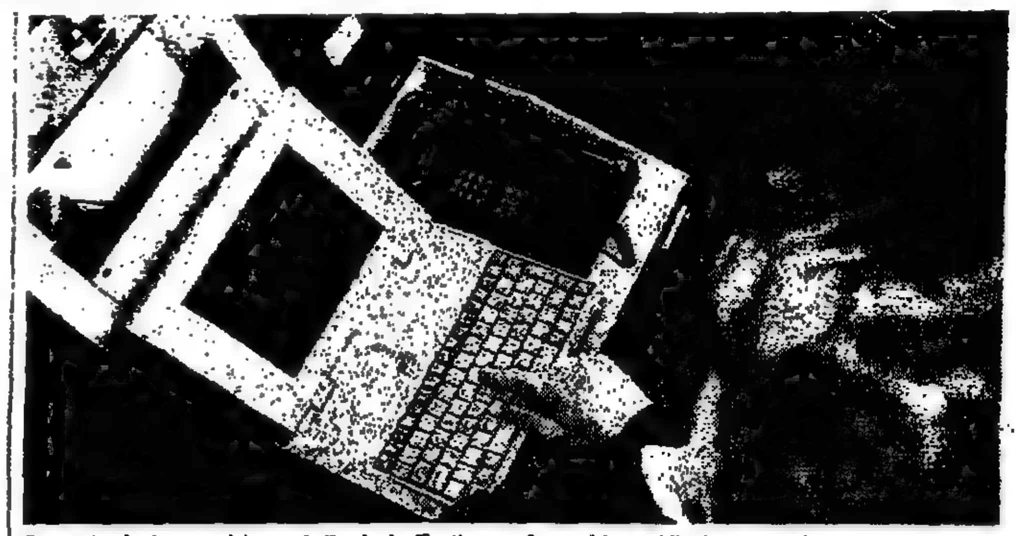
Networking used to concentrate on the sharing of scarce and expensive hardware resources, such as printers. Now the emphasis is on saving labour costs, and companies are looking at contracting out centralised computer facilities. This can bring a saving on office-space, and also on employment costs including workspace, national insurance, and pension contributions.

The network has become a notional as well as a technical vehicle, and employees are being enabled and encouraged to work at home. Flexible working in a wider sense offers further savings, and the idea of teleworking, particularly contracting out to freelancers, is not far behind.

In any work involving computers, there has to be a distinction between those who do it all day, every day, like software developers, and those for whom using a computer is only a part of the job.

So far, only a fifth of the UK working population use computers, as compared to around half in Sweden. The computer industry was among the first to capitalise on home-working for software developers. But it is increasingly likely that any job – clerical, publishing, selling, banking – will depend on being able to use a computer.

The technology is readily available, and a number of recent launches such as Apple's Newton, and Tricom's Pearl portable fax/modem have recognised that computing on the move is no gimmick, but part of many people's working pattern. BT is beginning to put ISDN in place for high-speed data transmission and services such as voice and videophones.



Computing in the car: niche marketing looks like the way forward for mobile data network operators. Meanwhile, notebook computers are putting real mobile computing power in the hands of users.

Some areas, such as the Highlands of Scotland, have have been quick to put it to stake a claim in the remote service market. *(See case study, page eight).*

The Henley Centre for Forecasting has calculated that over a sixth of the hours worked in the UK would be worked at home by the mid-90s; more than 3.3m people by 1995.

British Telecom, admittedly with a vested interest in teleworking, claims that a central London employer can save £2m a year by teleworking 100 senior people.

Making a virtue out of a necessity

Sales organisations have been quick to make a virtue out of necessity. Out of several "business process re-engineering" projects has come the single message: to save costs, re-organise, consolidate separate activities under one local area manager, and send people home, armed with laptops. Unipart, in the automative industry, and Sun Alliance, in the insurance business, have been among the large organisations taking this seriously. But if there is to be a large "connectable" workforce, there are several issues to address, each illustrated by the very different stories here.

One is remote training, which will become more a of a necessity as large organisations refuse to bear the costs of training in old-style "dp" centres.

There has to be a way of delivering education by computer. Bulletin boards, for group-wide communication, have kept students at the Wolsey Hall Open Learning Centre in touch with one another and with tutors.

Ace-High, the Highlands consortium, has taken an innovative approach to remote training, just as successful and more suited to the workflow now shared between its first proteges. For the Hollister Group, the problem was completely different. The work had to go to where the skilled people were already settled, and teleworking was the only option. Finding equipment easy to use was the main priority, and the Macintosh offered just that. Apple Computer, developer of the Macintosh and the Newton, is one of the main contributors to the Teleworking movement, both in the Telecottage Association, and in the high-tech community in Kington, Herefordshire. This is a pilot scheme, known as "Connected Community," to see what potential benefits can be provided for the social fabric of small towns.

The aim is to generate n ew business and employment opportunities, especially for disabled people and women returners. BT and the Rural Development Commission are supporting the experiment, which is to be monitored by the Henley Centre.

There are also some moral and personal issues which arise from teleworking, not shirked by British Telecom in its comprehensive information pack, the Teleworking Programme, (call 0700 800 854 for free copies).

BT points out that teleworking can be disruptive to other people in the home, and that it does not suit gregarious people whose main pleasure in work is the social life. Computer manufacturer and service company Hewlett-Packard has already addressed another issue of personal safety, by its co-operation with the Susie Lamplugh Trust, the personal safety awareness organisation set up in memory of the estate agent who disappeared whilst keeping a professional appointment in a house.

Another active body in the area is MSF, the white-collar union, whose concerns include employment rights. Health and safety – particularly in terms of ergonomics and a suitable working environment – is a responsibility which gets passed down to remote teleworkers, who may not be aware of the importance of vdu regulations and guidelines, the correct adjustment of chair height, and precautions to be taken in using a computer.

More information on teleworking is available in the most recent issue of the FT review, "Software At Work," published on September 8.

The next issue of Software at Work

The Winter issue is due for publication on Monday, November 29. It will include two user-based reports, on office automation and geographical information systems (GIS).

The hot topic in this issue will be is Object Oriented Programming.

Questionnaires for those wishing to participate in the user-research are available from the Surveys Department, Financial Times, Number 1, Southwark Bridge, London SE1 9HL.

In particular, the section on Office Automation (Part 1) will focus on:

Integration: Users no longer find any novelty in mere word processing. They are looking for better and more effective ways of integrating other applications with the routine paperwork.

Word processing is no longer standalone, but has become linked with database, communications, and spreadsheets.

Users are less likely to be confronted with a choice between one package or another on the basis of pure functions. Nowadays they are more likely to be concerned with exchanging documents and formats, regulating in-house standards and usages, and keeping in-house training up to date with new versions.

The management of software – and human – resources is likely to play an important part in the office automation stories we tell.

GIS – Geographical Information Systems: these systems for mapping geographical information used to be be a niche market, relevant only to specialist users. Programs such as the route-mapping program AutoRoute have now found their way into people's homes, and helped awareness of the larger potential of GIS.

Commercial applications are now becoming appealing for corporations in such areas as research and marketing, especially as the availability of CD-ROM has made demographic and other high-volume detailed information readily available.

The hot topic – Object Oriented Programming: the latest buzzword for the programming community leaves most non-technical people bewildered. Software At Work will explain what it means, what it will enable users to do, and why most people don't really need to know more than that.

Claire Gooding

'Intuitive' Newton launched

APPLE Computer has launched the first product based on its Newton technology – the Newton 'MessagePad.' This hand-held communications aid, pictured right, is designed to allow users to collect, organise and distribute information with ease and spontaneity.

The MessagePad "learns" the user's handwriting and work patterns – and then implements them on cue over a short period of time. Whether it is printing a letter or faxing a message, the product learns to anticipate the user's needs. With an optional connection package, users can transfer, synchronise, back-up and update information between the MessagePad and a personal computer. Apple plans to introduce wireless messaging and electronic mail facilities for the product.

■ COMPUTING ON THE MOVE

Innovation on all fronts

Miniaturisation is allowing designers to pack more and more power into notebook computers, reports Paul Taylor

FOR most of the 1980s the business computer user who left the office faced two unenviable choices – either to abandon access to computing power and the data it generates, or to lug a heavy weight "laptop" computer and all its accessories.

That is no longer the case. The advent of the notebook computer in particular has put real mobile computing power in the hands of users and in turn led to the proliferation of mobile computing devices.

Today's portable computers range from high power colour note books boasting state-of-the-art features to small hand held devices and the new generation of Personal Digital Assistants epitomised by the Apple's Newton MessagePad, pictured above.

Indeed, the portable segment of the personal computer market has been the star performer over the past couple of years.

According to Dataquest, the market research organisation, worldwide notebook computer shipment, led by manufacturers such as Toshiba, Apple, NEC and Compaq more than doubled last year to 4.35m units.

Dataquest estimates that almost one in every five PCs sold last year was a portable and the trend is accelerating. By 1997 Dataquest expects portables and PDA's to account for more than 45 per cent of unit sales.

The notebook computer revolution has been made possible by greater silicon integration and the overall trend towards miniaturisation which have allowed designers to pack more and more computing power into lighter packages.

At the same time, low-power chips, new lightweight components like PCMIA-card drives have enabled manufacturers to deliver most if not all the functionality of desktop systems in much smaller boxes.

Notebook computers are used in addition to desktop machines, and increasing as replacements. Mr Jeff Goldberg, European industry analyst with Dataquest in London, says most corporate users want machines which offer similar facilities to desktops and are able to run the same software. Increasingly that means fast Intel 486 processors and colour screens.

For a growing number of business users, notebook computers form one part of the "mobile office."

Equipped with a fax-modem and a mobile telephone they can be used to send and retrieve data, electronic mail and facsimiles while on the move.

One Swindon based company, Vocom, has taken this process to its logical conclusion building an integrated mobile office, comprising removable mobile telephone, letter quality printer, fax and data modem and notebook computer, into a briefcase. A single in-built power supply and battery charger meets the power re quirements for all the equipment.

Other innovative machines to appear on the market recently have included modular designed systems like the latest notebook computer range from Elonex, the North London-based computer group.

The Elonex NB400 notebook allows the user to change almost every facet of its operation. Aside from the ability to upgrade the CPU, expand removable hard disk storage capacity and batter ies the user can simply and easily switch screens.

Elonex claims this will enable customers to keep up with future display technologies while the removable hard disk also allows a group of users to "share" a machine but each retain their own hard disk data.

A handful of other manufacturers including Japan's NEC and Italy's Olivetti with the recently launched Philos have adopted similar modular design approaches.

OTHER innovations have included pen-based "notepad" systems from a growing number of notebook manufacturers and the Grid Convert ible, now supplied by AST alongside its new ranges of high and budget-priced notebook systems. The Convertible boasts both keyboard and penpad.

Pen-based systems, including smaller handheld devices like IBM's robust TouchPC, are mainly being used for niche applications, for example by insurance assessors, engineers completing customised forms on site or warehousemen checking stock.

Apple has also achieved considerable success with its PowerBook systems which were among the first notebooks with an integrated trackerball – a feature which is increasingly common. Last year, Apple sold over 500,000 PowerBooks, worth more than $1bn.

More recently Apple's Duo System has begun to exploit the grow ing demand for "docking" systems. The Duo, like machines from other manufactures including Compaq, combines a lightweight note book computer for use on the road with a docking station which turns the machine into a sophisticated desktop hooked up to the office network.

At 4.2 lbs, the Duo comes close to entering the sub-notebook category of devices pioneered by Olivetti with the Quaderno, now in its second generation, and Hewlett Packard with the recently launched Omnibook. But despite high expectations the sub-notebook market has so far failed to live up to expectations.

Dataquest's Mr Goldberg believes this is because they have been too expensive and are generally viewed as "add-ons" similar too, but more costly than, electronic organisers. They also require the user to make more compromises in terms of screen and keyboard sizes than full size notebooks. However, he concedes that they could be successful "if people get the price and the market right."

Mr Goldberg is equally doubtfull about the short-term market for PDAs, arguing that the first machines from manufacturers like Apple, Casio, Sharp and others including Amstrad in the UK are generally too expensive and so far offer few clear advantages over cheaper handheld computers and pen-operated electronic organisers.

Even when prices fall he doubts whether PDA's will initially sell in sufficient volumes to generate significant revenues for their manufacturers.

But not everyone agrees. Despite its relatively hefty price tag (£649 in the UK), the innovative Apple Newton MessagePad, which was officially launched in Britain this month, has already found some ardent supporters.

MR Richard Woodington, director of Rothwell group which claims to sell more Apple computers into the corporate sector than any other UK-based supplier, says: "Newton is breaking ground for the PDA market much the same way as the Macintosh did for personal computing.

"Much of the same approach is evident in Newton – easy and intuitive use, integrated software design and built-in communications."

He claims that large businesses are allready showing tremendous interest in Newton mainly because of its ability to log on to office electronic mail systems, send and receive faxes and talk to PCs – all in a package which fits on the palm of the hand and can also recognise handwriting.

"We see Newton as a potential mobile extension for client/server technology, whereby an authorised user could have transparent access to a corporate database from wherever they are," he says.

Nevertheless, he acknowledges that the initial reaction to Newton from some quarters has been mixed because of disappointment that it cannot immediately provide cordless communications. But he says that the introduction of new digital mobile services, like Mercury's One-2-One in the UK and GSM services throughout Europe will "bring Newton into a new dimension, making it truly a mobile communications system."

What *does* seem certain is that the worlds of digital processing and telecommunications are continuing to converge and that in the future business computer users will be offered a wide range of mobile computer and communications systems aimed at specific market niches. Mobile computing has, after all, not even reached its teenage years.

■ COMPUTER-AIDED SOFTWARE ENGINEERING

Still a long-term vision

Object-oriented technology is reviving an engineering paradigm, reports Philip Manchester

IN the optimistic mid-1980s, computer-aided software engineering (CASE) was heralded as the panacea to the problems of building complex computer software.

By combining formal design methods and powerful tools, CASE aimed to harness the computer itself to help create useful applications quickly, easily and cheaply.

Its most enthusiastic advocates said that CASE would let you model a business problem, turn a 'handle' and the software for a full-blown IT application would appear like magic.

This long-term vision of the virtues of CASE remains - despite a growing realisation that it is not as easy to put into practice as was first thought.

The fundamental ideas in CASE are sound: engineering discipline is good for software production and computer power can be used to help to build useful systems. But the reality is that users have been slow to adopt CASE methods and, more importantly for the software industry, they have been reluctant to buy CASE tools.

There are a several reasons for the apparent failure of the CASE vision. Users were expected to throw out all of their previous development technology and invest enormous sums in re-training – which was more an act of faith than a sound business decision.

Their expectations were raised to a level which could only be met by something miraculous – and CASE was, inevitably, well below this.

Furthermore the technology goalposts moved. In the late 1980s, when good CASE products for proprietary mainframes and minicomputers first began to appear, attention switched to open, networked client/server systems.

Such systems use several different types of computer and operating environment, each with their own idiosyncrasies.

CASE tools could not cope with this change and have only recently begun to catch up.

Early CASE also put greater emphasis on technology than on business problems and, in the recessionary climate of recent years, this was a mistake.

There are signs of change, however. CASE methods vendors have learnt to accommodate older so-called 'legacy' systems.

CASE tool suppliers have extended their products to work with network systems as targets and the emphasis has switched away from technology to business problems.

In addition, CASE has received a boost from object-oriented computing.

After much early promise, computer-aided software engineering (CASE) has not been easy to apply

Both share common roots in engineering principles and complement each other well: object-oriented computing provides a foundation for defining software 'components' and CASE provides the mechanisms for assembling them into applications.

"CASE must be related to a business architecture. The older CASE tools were about throwing systems at chunks of the business rather than seeing the whole picture," says Mr Roger Stenson, assistant general manager of Norwich Union's management services department.

As an experienced user of CASE methods and tools, Norwich Union has had the chance to assess the value of the technology to its business.

Mr Stenson has no doubts about its long-term value: "We have to get the business of writing software away from being an art to being a branch of engineering," he says.

"But there is still some way to go and the technology needs to mature."

Norwich Union's main CASE tool is Knowledgeware's Application Development Workbench (ADW) which maintains the business model used as the basis for application systems. It also uses Bachman Information System's data modelling tools and Softlab's Maestro CASE project management package.

"Nobody's got all of it. You have to a framework which takes in a variety of tools," says Mr Stenson.

The best-known CASE framework is IBM's Application Development (AD)/Cycle which aimed to put IBM squarely in the CASE software market along with third-party suppliers who supplied appropriate tools.

AD/Cycle has not lived up to IBM's hopes – partly as a result of changes in the structure of its own market and partly because the opportunity has not been fully exploited. AD/Cycle is restricted to generating applications for IBM hardware only and this has reduced its chances of success in the open networked computing environment of today.

"Although it has some sound ideas in it, AD/Cycle has not been very successful for IBM. We have our own framework and we have kept compatible with AD/Cycle where possible. We want to keep our options open," says Mr Stenson.

Despite its high hopes for AD/Cycle, IBM has had problems building one of the key components – the data 'repository.' CASE tools need a repository to hold data about the business model, the relationships between systems and even the technology of the system itself. Development delays and the lack of repository sales has undoubtedly held AD/Cycle back.

Other manufacturers have been less ambitious than IBM – but claim greater success. Amdahl, which makes IBM-compatible hardware for the mainframe market, was an early pioneer of CASE techniques with its Huron system.

"Huron is a set of tools which helps to manage software change. It has a repository at the centre where a single copy of the business model is kept. This keeps track of change in the business and the applications," explains Mr John Paton, European sales and marketing director for the Antares Alliance Group, a CASE joint venture between Amdahl and software company EDS.

"We see facilitating change as the main role of CASE. Without the ability to re-engineer their processes easily, users start to believe it is so difficult that they can't change," he goes on.

Relating the use of CASE directly to the business has become essential – both in order to justify the application of technology and to maintain the overall integrity of the business model.

"In the past, CASE has been seen as methods based when it should be mission based. You have to remove anything that distracts from the business mission," says Mr Paton.

He adds that object-oriented computing is the key: "It is much easier to see real world systems in terms of objects and it is not difficult for business people to define the objects that they have to deal with. It is only when the technologists get involved that things get complicated. Object-oriented computing makes it easier for the technologist and the business managers think in the same way."

In addition to being able to provide this direct link between business problems and the system, object-oriented technology shares the same engineering principles as CASE and will revive interest.

"CASE was oversold in the 1980s. People saw it as a silver bullet and expected the tools to give them a development process. We now see that you need the process first. Object technology helps us to identify this," says Mr Don Kavanagh, a consultant with CASE tool supplier Interactive Data Environments, (IDE).

"Object let us gain a higher level understanding of the business problem and relate that back to the technology, he adds.

Object-oriented technology is also having an impact on users too. Mr Stenson of Norwich Union is enthusiastic: "The entire future of software is object-oriented and I fully endorse it. It the most critical component of where we are going with CASE. We just need more mature tools to realise the potential," he says.

USING COMPUTERS IN BUSINESS 6

■ EXECUTIVE INFORMATION SYSTEMS

Out of the backroom, into the boardroom

If the computer is really such a wonderful tool for business, asks **Claire Gooding**, why has it been kept behind the scenes for so long?

In 1990s executive information systems (EIS), PCs are as likely vehicles for the software as mainframes. The big difference is that the "E" now stands for Enterprise, rather then Executive, with managers throughout the entire organisation having access to data from various sources, internal and external

UNTIL recent years, relatively few top executives had the incentive to have a computer terminal or PC on their desks. Those who did were in an enlightened minority, despite the vigorous efforts of the suppliers of software packages known as executive information systems (EIS).

The first generation of EIS products grew out of more general decision support software for forecasting and modelling. The main problem they tackled was that of having too much information, not too little.

Computer systems tended to deliver fat, inflexible reports, through which few executives were prepared to plough to find the relevant facts.

The EIS promised a slick, flexible alternative, a way of looking at facts on the screen and drawing information from all the existing data systems in a company's computers.

The graphical representations of data were flexible, allowing "drill down " – the refining of information down to its source facts – and other manipulations. There were two "extras" which distinguished the EIS from its humbler counterpart, the management information system (MIS). One was the ease of use: it was presumed that no top executive would ever have the time to master a keyboard. The other was its links with various systems, not only the internal accounting and production systems but external links, to databases and online information services.

In its "unique selling propositions," the EIS trod a path that the rest of the computer industry was to follow. Comshare, the market leader, and other suppliers including *Holos, Acuity and Pilot could offer speedy development and* flexible reactions to changes, presented in a graphical form, even when the basic data came from the mainframe.

At the heart of the EIS was its flexibility – the ability to turn data inside out, manipulate it, look at different views of it, and perform "what if" exercises.

The rest of the computer industry has now caught up with what made the EIS so special a few years ago. Rapid applications development and graphical user interfaces have gone along way towards making applications more flexible and easier to use. But EIS also foreshadowed another development: business process re-engineering.

When implementing an EIS, consultants soon discovered that the real effort went into defining a company's real needs.

Even managers who believed in the benefits of an EIS found it difficult to answer the basic question "what do you want from a system?"

To enable an executive to grasp the essentials swiftly, somebody somewhere has to do a lot of groundwork. The exercise of deciding who needs what information, why, from whom, when, and how often, throw into relief the relationships, and particularly the redundant processes in a company. It can even re-focus an organisation to look at its basic purpose and profitability.

Better information systems often mean human redundancies: ICI Fibres, for example, reduced its head office staff from hundreds to a handful. Managing director Scott Davidson keeps in touch with the dozen or so staff now based in Brussels via his laptop computer.

The ICI Fibres Business Information System is a model of how an EIS can evolve. Consultants Executive Information Systems have nursed the system through various incarnations, working closely with managers from ICI Fibres and ICI Acrylics.

The system was initially written in PC Express, and later refined using a mixture of Lightship and Lotus 123. Once everyone was satisfied with the prototype, the final system took shape in the Focus 4GL from *Information Builders*.

The EIS suppliers have shifted their ground a little in recent times, perhaps aware that their territory is being encroached by less specialist software. In practice, few executives use external links regularly, and the main value of EIS has been that corporate users "all sing from the same hymn sheet".

Predictably, the data fed into EIS models is internal, such as sales and accounts information. EIS has proved to be not a periscope, looking at the outside world, but a microscope, illuminating internal data.

So, argue the EIS suppliers, the acronym should now stand for "Enterprise Information Systems."

The benefits of a system in which everyone shares should be felt outside the boardroom. Remote computing, also known as "teleworking" seems to have brought a new element into the pattern, giving access to the mainframe, and to colleagues.

VAG, the UK importer of Volkswagen and Audi vehicles and parts, is one company that has used an EIS as an "enterprise" rather than an "executive" system.

Part of the Volkswagen Group in Germany, VAG is a marketing and distribution organisation based in Miltion Keynes. It retails through 300 or so franchised dealer outlets employing nearly 10.0000 people, and accounting for turnover exceeding £1bn in the UK.

A re-examination of productivity and resources in 1991 convinced VAG that it simply did not have the right information available to enable it to sell its cars in the fiercely competitive 1990s.

At the time the company was organised in traditional divisions: sales and marketing, parts and services, each with its own field force.

Steve Underwood, then a manager of information systems, described the problem: "In essence the divisions were companies in their own right. There was very litte interaction between the people selling vehicles and people selling parts and service."

At the heart of the EIS is its ability to turn data inside out

The re-organisation focused on getting closer to dealers. Twenty district managers were to take responsibility for every area of operation in their local "patch," working from home.

"Suddenly the district manager had to be a generalist, with a tremendous amount of knowledge about all parts of the business," says Steve Underwood.

He was responsible for setting up a technical solution, an EIS that would collect all the available information from existing parts, vehicle, and finance systems on the mainframe, and deliver the information to the district manager in a useable format.

As with most EIS solutions, this meant a new layer of technology, drawing on what was alreadu in place. Pilot Software's LightShip was chosen as the front-end, to give users easy access via "point and click" windows but also because of its extensive links with databases and other software products.

The managers use IBM L40 laptops with modems, connected to an OS/2 computer. This extracts data from the DB/2 mainframe database via an SQL server, using LightShip's high-speed Lens "middleware" to search and deliver information at high speed.

Robert Couldwell, a VAG district manager based in south London, readily points out the benefits of the system, although he was new to computers and home-working back in 1991.

"To motivate dealers to achieve sales targets you need information. That used to rely on lots of telephoning and hard-copy reports delivered by post," he says.

"Now I keep in touch with market share, parts performance, and can check up on the latest figures when I get home at night."

He stays in touch with the office and colleagues through electronic mail, and when negotiating sales targets with dealers, the laptop goes with him.

"From the dealer's point of view, the laptop doesn't lie. It's *fact*, not conjecture, if you can show the development of market share over the last three years by each model. That's powerful."

VAG is among the companies who have made their historical information work for them, but this is still the exception rather than the rule. When West London Training Enterprise Council surveyed 719 companies in its area, ranging from the smallest to the largest, the most common applications were still the back-room functions of accounting and office automation.

Its most disturbing finding was that business managers are top of the league table in the matter of IT skills deficiency. EIS suppliers, it seems, still have to convince the world at large that the computer belongs in the boardroom. VAG's experience suggests that it might be more useful on the road, or at home.

■ ERGONOMICS

Europe points the way to new standards

MOST companies only think about ergonomics when there is evidence that something, somewhere, is going wrong.

But according to the latest bulletin on the subject from the International Data Corporation (IDC), ergonomics is about to become a big issue among employers in Europe. It believes litigation and productivity will bring the issue to the fore.

IDC analyst Andrew Baul-Lewis points out that more attention is paid to the ergonomics of the average car than is paid to the comfort of the worker's desk. Along with other voices in the IT industry, notably ICL and Olivetti, IDC argues for a broader interpretation of ergonomics, traditionally associated with engineering issues, the design of screens and visual display units. There has been a tendency to isolate such things as screen displays and eye strain as separate issues, without realising that health and safety affects the whole person, mental and physical.

Ergonomics is a growing standards issue in Europe, where the recent European Commission directive which came into force on the 1st January 1993. IDC argues that employers will soon have to take such regulations, along with the International Standards Organisation's recommendations, into account when purchasing equipment.

In the US, there is also concern for the environment, and electricity consumption, promoted by the US Environmental Protection Agency's Energy Star programme, which is encouraging PC power consumption to be reduced to 30 watts. This concern is beginning to be reflected in European legislation, such as Germany's law, coming into force in 1994, that makes electronic suppliers responsible for collecting obsolete equipment.

Hans Malmkvist, director of ICL's ergonomics programme based in Stockhom, has proof from many Scandinavian companies that ergonomics pays in terms or productivity and reduced absenteeism. "There are lots of EC directives, but the real challenge is to get users to understand and take responsibility for their own layout," he says.

ICL's so-called "Just In Time" training uses the computer to teach in situ, using self-programmable multimedia techniques, including videos of physical exercises. Taking the lead from Nokia, acquired by ICL in 1991, ICL now has "ergonauts", as Malmkvist calls them, advising customers all over Europe.

An enlightened holistic approach would take into account the entire working environment – surroundings, view, lighting, noise level, seating and posture, as well as the keyboard and terminal. Software is also coming under scrutiny, at a time when graphical user interfaces and object-oriented programming are making products easier to use, but are also creating a confusing diversity of options.

Software ergonomics are an increasing part of the picture. More end-users are coming online, and are expected to use a variety of software products. The frustration of finding that they all use different keyboard conventions can lead to much time-wasting and unacceptable levels of errors. How sensible it would be to have a set of accepted rules, similar to those which established the F1 key as the escape or "reverse out" route in the earliest generation of PC applications. But this goes against commercial judgment, and companies such as Apple, Microsoft and Sun are fighting through the courts to retain their own individual "look and feel" on the desktop.

"The problem is litigation," says Therese Cory, main author of the 1993 Software Quality Report from IT researchers Butler Bloor. "It would make more sense, instead of the legal battle for the desktop, for them to agree, or at least allow, some flexibility."

Software designers are beginning to appreciate the need for clearer signposting. It is possible, with graphical user interfaces and object-oriented programming, for software to be a delight to use. Software house Unify has just launched its own client-server development software, Unify Vision, which mimics human thinking by using icons and pointers to develop "intuitive" applications. "It's a matter of productivity and ease of use" says Reza Mikailli, senior vice-president of products at Unify. "The mouse gives you a screen of options and you can jump from one to another: there is no dictation of the thinking process as with old style systems. It's a matter of getting closer to people's thinking processes: these can change fast, so the tools you use to write programs should let you react to every event. That's what being human is all about."

Claire Gooding

■ ELECTRONIC DATA INTERCHANGE

Big business implications

British companies are leading the way in Europe in applying EDI – a simple idea that saves time, effort and money, reports John Kavanagh

THE BENEFITS of electronic data interchange (EDI) have been so great to Tesco, over the last six years that the retail chain has stopped measuring them against the costs.

"The EDI costs are absolutely negligible and are covered by our savings on the phone, fax and mail alone," says stock management director Mr Dave MacInnis. "That means we have all the business benefits for nothing."

Those benefits are impressive: "We've reduced stock levels yet improved stock availability and sales; cut lead times on orders; cut administration; and improved communication with our suppliers."

Tesco, an EDI pioneer, now trades electronically with over 1,200 companies of all sizes, representing more than 95 per cent of products on its shelves. Half these suppliers send their invoices to Tesco by EDI. Tesco has also used EDI to forge close business relationships with a quarter of them, sending 13-week sales forecasts to help them schedule production and reduce stocks – thus keeping their own costs and prices down.

Computer manufacturer ICL is enjoying similar gains by using EDI as a route to just-in-time ma nufacturing and business process re-organisation, according to chief executive Mr Peter Bonfield: "In manufacturing we've reduced the time from manufacture to invoice from 20 days to three. We've reduced our inventory by £100m, with a big impact on the balance sheet and customer response time. The delivery time for PCs has been cut from four weeks to 48 hours maximum. Automating our purchasing has reduced our administration costs by 70 per cent."

Companies like these have gone way beyond the original EDI idea of exchanging routine business documents such as orders, acknowledgements and invoices over telecommunications lines between computers run by customers and suppliers.

Tesco, an EDI pioneer, now trades electronically with more than 1,200 supplier companies of all sizes

Sir John Harvey-Jones: "we are barely scratching the surface"

Tesco's experience shows that this in itself is enough to justify EDI, by reducing the delays and human error which are built into the process of keying order information into a computer, printing it and mailing the document to a supplier, where it is keyed in again. This process is repeated right down through the supply chain. Indeed, it has been estimated that 50-70 per cent of computer output becomes computer input.

The UK is the clear leader in Europe in its use of EDI and the number of companies trading electronically is growing at 25 per cent a year. But even so, less than a third of the top 1,000 companies have taken it up. The likes of ICL and Tesco have cajoled and helped their smaller trading partners into EDI, taking the total number to around 10,000. But, as Sir John Harvey-Jones told a recent EDI conference, "we are barely scratching the surface."

"Why are we so loath to use the opportunities of electronic trading when it pays for itself in paperwork savings alone, without the additional business advantages?" Sir John demanded. He went on to answer his own question, reflecting the views of leading users, consultants and service suppliers in this field.

Ray Walker: chairman of the Simpler Trade Procedures Board

"The real pay-off from information technology only comes when it is used to totally transform the way business is done and the way a company is organised. Companies have made a major jump ahead of the competition by having vision and openness to change.

"However, most companies are still organised in vertical components. Those that look across the totality of the business are all too few. This is one reason why getting EDI to really run and show its paces has been such a problem. It has tended to be looked on as the preserve of the IT department, not as a valuable enabling tool to change the way that every part of the organisation does its business."

He added: "I pushed ICI into EDI not for the savings per invoice – although these were respectable – but because I believed EDI was a key to altering the way our business was done and the relationships we had with our suppliers and customers."

EDI is a "proven strategic vehicle" for business says Ray Walker, chief executive of SITPRO, the Simpler Trade Procedures Board. He is chairman of the UK National EDI Conference. The forthcoming EDI 93 event in October *(see details on page four of this survey)* is the largest yet.

Most of the growth in EDI has been led by big companies, whether those with such vision or those simply looking initially at cutting administration costs. Neil Lawrence, EDI manager at service supplier British Telecom, believes the number of the top 1,000 companies using EDI will double to around 600 in the next two or three years – and each will bring in 1,500 or more of its suppliers.

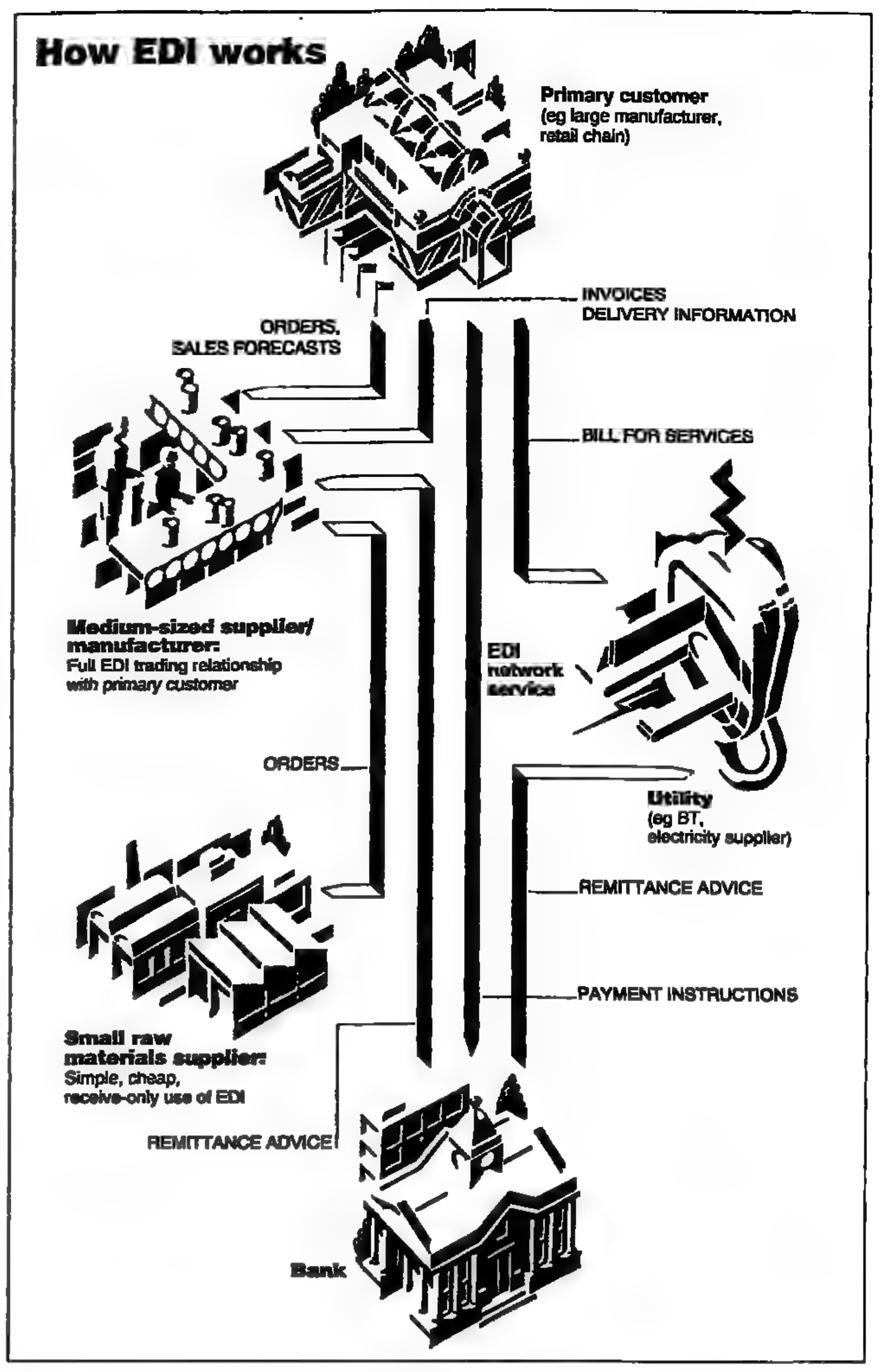
Meanwhile the UK's main service suppliers – market leader INS, AT&T – Istel, European leader GEIS, IBM and BT – are trying to make EDI more attractive to small companies. These suppliers run networks which direct messages from one company's computer to any other company's system.

"Tesco, Sainsbury's and others are doing sophisticated things and have transformed their business but we haven't really got to the volume market yet," says INS marketing director Colin Billinge.

"The market has become more competitive and we want to stimulate growth still further by attracting the hundreds of thousands of small firms."

INS, which has 55 per cent of the UK market, has recently packaged its network and support services in new ways and cut prices for smaller new entrants. This month it has launched a software package which enables companies to adapt quickly to the message formats and procedures of different trading partners.

Service suppliers are also wooing communities of users and finding unlikely successes among some of the smallest companies. For example manfacturers of small electrical appliances, including Braun and Tefal, have set up an EDI community with local repair shops, some of which are two-man bands with a personal comp uter working from a market stall. The repair firms send orders for parts via the British Telecom EDI service, cutting the repair time from a week or more to 24 hours in many cases.



■ MULTIMEDIA

Expectations are high

MULTIMEDIA is becoming a hot topic in the computer world, although its applications are mainly limited – for the moment – to training and point-of-sale information.

Multimedia combines animated, high-resolution graphics and video, hi-fi sound, computer data, communications and – most important of all – interaction between the system and the user.

Today's multimedia market is pre-eminently about training, although presentations and kiosk applications – usually taken to mean point-of-sale (p-o-s) displays or point-of-information screens in galleries, shopping malls, airports or exhibitions – are fast-growing.

The research consultancy Ovum has estimated that the US and European market for multimedia products and software would grow from just $500m in 1991 to over $9bn by 1997.

The expectation was that the training market, for example, would grow from some $326m in 1991 to $422m by 1994 and $536m by 1997. But even within that relatively conservative prediction, there are potential pitfalls for vendors and those that invest in them. For while software revenues are expected by Ovum to rise at an average of 13 per cent per year, hardware revenues were only expected to rise by 5 per cent a year, reflecting a decrease in hardware prices that is only likely to be partially offset by ever-increasing volumes.

Training, distance-learning, open-learning (a slightly different concept) and further education are inseparable within the multimedia canon. To understand why, it is only necessary to quote one example - provided by the National Council for Vocational Qualifications which, during its 'World Class Britain' conference, last year, said that it wanted to see 1.2m workers achieve NVQs by 1996.

At a time when all budgets for training and further education are under pressure, that high target is unlikely to be met by conventional means. It is, instead, being met by the use of new multimedia products such as CD-ROM, CBT packages and multimedia's primogenitor, interactive videodisc.

Lloyds Bank, for example, has installed around 100 multimedia systems (based on Wang computers, VideoLogic boards and CD-ROM) which supplement its 1,500-machine interactive video network and its use of computer-based training (CBT). The use of the multimedia systems propels Lloyds distance learning into the management arena.

'Distance-learning' is cost-independent of the number of students – and there is considerable evidence that distance-learning reduces the overall costs of training, says the senior manager of Lloyds training development group, Howard Hills.

Further examples of this are evident elsewhere in Europe. In Germany, the Deutsche Bundespost Postdienst has saved DM14.2m in time and travel costs during the first four months of its multimedia training project.

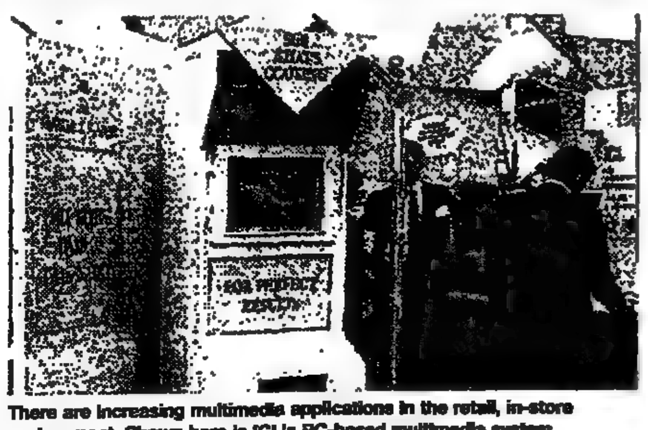
Based around VideoLogic systems allowing the integration of video, audio and still images on to 2,000 PC-based learning stations installed in German post offices, more 100,000 employees have already undergone training.

Even more important, the market for generic materials, which had to some extent been held down by the cost of interactive video replay systems, is beginning to take off in the UK. It is already burgeoning in the US.

New companies, such as the Gloucestershire-based Xebec, which has just signed to produce six packages a year for distribution in the US; CD-I Training; Lasermedia; IIS, Maxim, Skillchange and Pitman (which acquired a multimedia production house, Convergent, last year), are emerging to rival the film and video training hegemony of companies such as Video Arts, Longman Training and Melrose Films.

There are signs that the generic market for training is fast spilling over into the education and what is termed the "edutainment" sector, as well. Educationalists have already toyed with a variety of systems while more than £10m of government funding has been spent in the last five years on attempts to bring interactive media into the classroom or the lecture theatre.

Suddenly, things have started moving again, with products like "The World of Numbers" videodiscs and a CDTV-based project called "Global Maths," targetted towards the National Curriculum. Education and the blend between education and entertainment ("edutainment") also form the core of many consumer-orientated CD-I and CDTV catalogues.



There are increasing multimedia applications in the retail, in-store environment. Shown here is ICL's PC-based multimedia system

Point-of-sale multimedia has been slower to take off in the UK and Europe, as was the use of more conventional media, such as video.

Mr James Roper, director of the Interactive Media in Retail Group (IMRG) believes that potential customers have been confused by the technology – "there has also been a horrendous failure rate with pilot projects, because people didn't realise the complexity of what they were getting into," he adds.

With more than 500 interactive retailing pilot projects started worldwide, but a handful of success stories, Roper is, if anything, understating the problem. But there *are* success stories. In the UK, Zanussi has increased sales (up by 30 per cent over three years), and boosted brand awareness and market share by using interactive p-o-s in nearly 600 white goods stores.

In Denmark, the estate agency, Home, has increased its market share from 15-23 per cent since installing an IBM-based system in 120 of its outlets.

In Germany, 550 pharmacists are plugged into the Tele-Apotheke through-the-window marketing system; and in the US Sears Roebuck has publicised the fact that it expects to make annual savings of $50m by cutting 7,000 staff and replacing them with p-o-s systems and interactive multimedia ordering kiosks.

All this activity so far represents only the tip of an iceberg. If the analysts' predictions are to come true then more than $5bn worth of new applications will need to come on stream in the next four years. That seems unlikely, but may not be impossible, for the latest multimedia communications systems being experimented with by high-flying corporations are multi-faceted, very large and relate to businesses' operational cores.

It is worth considering one case in point: in California, Pacific Bell recently experimented with a networked multimedia information and training system, linking 10 sites. Designed to replace "old" information delivery systems using video and printed materials, the new Employee Knowledge Link used a Sun fileserver and workstations connected by ISDN telecom lines to carry voice, music, sound effects, text, animated images and stills.

The technology used was significant – "we considered using CD-ROM," the project leaders told a US conference held in April, "but because the time and cost-concerns with creation, distribution and storage, we decided it was not the ideal solution." Yet the core nature of the experiment was, if anything, more significant. Having already started to break down geographic, temporal and cost boundaries, multimedia communications could soon make an impact on the barriers erected between corporate departments, changing the way businesses are run, as well as the means by which they communicate.

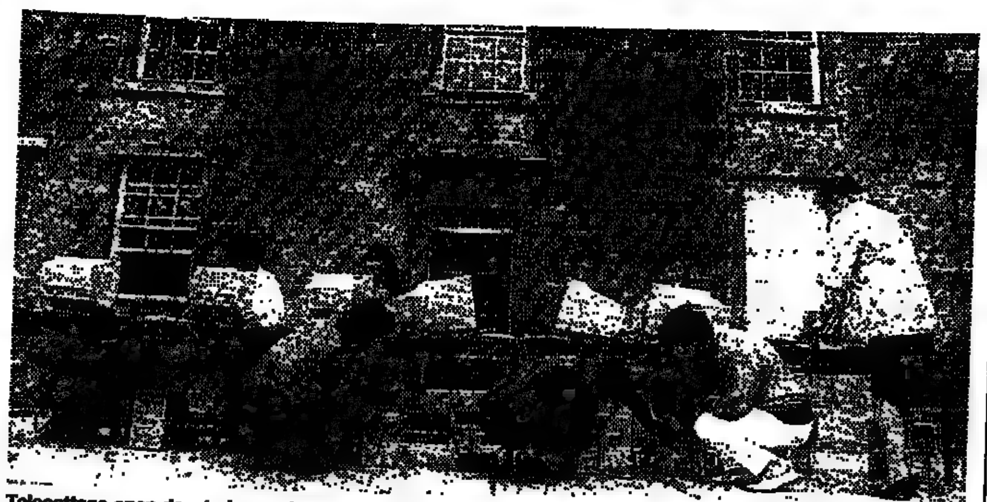
Peter Lloyd

Teleworking opens up new horizons

A CAREER with computers no longer means working in an office for eight hours a day. Many programmers already work remotely. And salespeople, too, are now home-working and travelling with laptops and modems.

On this page, CLAIRE GOODING looks at some of the arguments in favour of teleworking, and introduces some case-studies.

This topic was also examined in detail in the recent issue of the FT's "Software At Work" survey, published on Wednesday September 8. The next issue of "Software at Work" on November 29 will look at: office automation; geographical information systems; object orientated technology. For more information, see details on page four of this survey.



Telecottage open day: trainees at work during one of their exercises - "know your computer" - at the Eccles House Telebusiness Centre in the village of Hope in the Derbyshire Peak District.

● USER VIEW

Easy way to Russia

Expert negotiators were vital to a new enterprise but one of their conditions was staying put, so the company set up to work remotely. Claire Gooding examines the technology it selected

MARKETING pharmaceuticals to Russia and other former Soviet states is a job that demands high-quality, specialised skills. And, as John Dyer, managing director of the Hollister Group of companies points out, most of the qualified people are of an age and experience to have established families, and are not keen to relocate, however exciting the opportunity with a young company such as Hollister.

"We use teleworking exclusively for our operations. We deal direct with large institutions, ministries and government, and for that we need experienced people who have worked for pharmaceutical companies, wherever they are," he explains.

Hollister has staff in Norfolk, north London and Hammersmith in west London, all equipped with Macintosh computers, using Mac Connect software and ISDN lines. Another is coming on-line soon in Heathrow.

"We have Macs because they are far and away the best business machines, they are quick to learn, intuitive to use and inherently simpler."

The Planet board gives access to ISDN; any alternatives, says Dyer, were painfully slow. Going into ISDN is simple, with a point-and-click menu and a list of pre-programmed numbers: the whole process can be made into one shorthand keystroke.

Hollister used a local Cambridge consultant, System Support, to advise, specify and implement the system. It still provides 24-hour support and advice if needed when unfamiliar software is used. The equipment cost about £6,000 per installation.

"The business benefits of teleworking are clear" says Dyer. "I can employ people who otherwise wouldn't work for me. We can all communicate easily, and standardise on systems." He uses his own Powerbook system at home and when travelling.

On the whole, teleworking has proved very straightforward, although the one disadvantage is that the employees miss social interaction in the office, and so regular reviews and contact is necessary. "However, most people love it – and with ISDN we can operate all over the world," says Dyer.

● SUPPLIER PROFILE

- Software: Mac Connect's TheLink software with Planet ISDN card.
- Hardware: Apple Macintosh with Planet ISDN card, TheLink wide area network software, and ISDN line2 from British Telecom.
- Cost: Planet ISDN card: £1200; TheLink software £350, both from MacConnect. Each installation costs about £6,000 including software and hardware.
- Supplier: Mac Connect, in Newcastle, a UK company founded 18 months ago. Supplied via Systems Support in Cambridge.
- Contact: Neil Atkinson 091 230 5596

● REMOTE WORKING IN RURAL AREAS

Service in high demand

Training from a distance is the task of Ace-Hi in the Highlands and Islands, but it needed the right technology to hold 'conversations' with trainees

FEW would deny that the quality of life in the Highlands and Islands is high, but there is little highly-paid work. Ace-Hi is a government-funded organisation set up on a Scandinavian telecottage model which trains people, mostly women, to become teleworkers or teletrainers.

Ace-Hi's chief executive officer, Caroline Hay, believes there is a large resource of highly skilled people in the highlands and islands, especially among women. It might take as many as three flights and a ferry to reach the Invergordon telecottage, so remote teletraining is vital and the service is much in demand.

"Three years ago we did a pilot training scheme for women in Ross and Cromarty who were housebound by caring commitments," explains Hay. "We had 100 applications for places."

Ace-Hi sought technology that would enable its DOS-based PCs to connect via a modem, and provide interactive "conversation" with the trainee. There were three criteria: a simple, friendly connection process for the end-user; cost; and the degree of interactivity – "there were only a handful of possibilities three years ago. Microcom won on simplicity of use, but as an unexpected bonus we also got easy file-transfer," says technical officer Colin Craig.

Hay is working on a vocational qualification for teletrainees, which she says must preface any large-scale attempts to train and market telework services. But already she notes a pattern of co-operation among the four now fully productive workers trained in the 1991 pilot. They have several contracts of their own, but other work is shared.

"Skills such as word processing and other business tasks are easily done from home," she says. "It's a better-paid alternative to seasonal work in the tourist industry or waitressing."

● TECHNOLOGY FILE

The Association of Community Enterprises in the Highlands (Ace-Hi) trains small groups throughout the Highlands, Orkney, Shetland, and the Western Isles, who link up with their computer tutors. It is a limited company with charitable status.

- Software: Ace-Hi has 50 copies of Microcom's Carbon Copy software for Windows. Version 3.1 offers remote control and file transfer capabilities for IBM and Windows 3.1 environments. Remote control allows one user to support, assist, train and collaborate with one another at different locations.
- Hardware: IBM PC compatibles, modems and printers. The installation went live in 1988.
- Supplier: Microcom was founded in the US in 1980 and has 10 employees in the UK office set up in 1986. Turnover exceeds $4m. It acquired Carbon Copy in 1989 and now has more than 800,000 installations worldwide. The company concentrates on remote computing solutions such as networking and internetworking products, and created Microcom Networking Protocol (MNP) on data compression for modems.
- Cost: Carbon Copy costs £145 (list price), available through VARS.
- Contact: Martin Perry, general manager at Microcom UK. Tel: 0483 740763

● LONG-DISTANCE TUTORIALS

Students log on

Education at home and in the office is available all over the world, on a study programme run from Wolsey Hall, Oxford

THE MBA is much sought-after qualification, but its popularity comes at a time when companies find it difficult to release staff for studies. Wolsey Hall, Oxford, is a Distance Education centre and is helping Oxford Brookes University to run a long-distance MBA programme for students all over the world.

According to Peter Newell, chairman of Open Learning Centre, Wolsey Hall, students come from every conceivable background, with ages ranging from 27-45, and one in 10 living outside the UK.

Although Newell hesitates to call this teleworking, long-distance computer conferencing is an important part of the teaching structure, connecting the tutor with a group of students who can log on for the cost of a local phone call.

"With the tutor as moderator, a valuable interaction takes place, not instantaneously, but perhaps over 24-36 hours," he says.

The mechanism for connecting the students is supplied by CECOMM, which provides each student with a "conference connection" pack, which enables them to connect a PC via a modem to the MBA host computer, using EUnet's Internet services.

The host runs electronic mail and conferencing software, and via Internet students can take part in the discussion groups or send private messages to the tutors, course administrators, or other students.

Newell uses the system to connect 15 outworkers, (editors and proof readers for the courseware) and 200 authors and tutors. "The system is a good way of communicating for people who learn to use it well," says Newell.

"Electronic mail is not good for the autocratic manager because it's an equaliser. It's not a substitute for conversation but it's a remarkably powerful form of communication for quality, speed and efficiency: it enables communications to fly around the business very fast indeed."

EUnet GB pioneered the exchange of information between computers on public access networks in 1979. Now it supports the communications networks of hundreds of UK corporations.

CECOMM, an EUnet user, was set up in the 1980s to develop telematics in the educational field and is currently developing the teleworking methodologies used by such organisations as Wolsey Hall and the Oxford Business School.

"We train tutors and co-ordinate people using the systems who can be corporate managers, part-timers – anyone using long-distance telecom tutoring," explains Charles Jennings, CECOMM consultant on Telematic systems.

Providing a simple interface is part of the job, especially as users cannot always have the standard Macintosh or DOS equipment.

"People just want a nice simple pipe that works," says Jennings.

When sitting alone at the screen, getting lost in the system is a danger. To help navigate, and answer the "Where am I?" question, CECOMM has devised a way of visualising the system with a "map" using a floor layout which looks like a faculty building, including administration (reception), conference hall, cubicles for study, seminar rooms and even a cafe.

In Jennings' experience, distance-learning by teleworking can suit all sorts.

least technical experience, who work with non-technical subjects, have produced some of the highest-quality work as teletutors."

● TECHNOLOGY FILE

- Software: Communications products configured by CECOMM.
- Hardware host: Host systems are distributed Unix machines running multilingual groupware. Hosts are located in Southampton, UK (the host for the MBA programme) and Berlin, Germany. Users access from a wide range of hardware, largely PCs running DOS/Windows.
- Cost: Volume-related according to the package components.
- Supplier: CECOMM, founded by the UK government in the 1980s, provides a structured design methodology, Learning Network Design, to support non-technical academics, trainers and learners who use telematics. It is the Business Enterprise
- Contact: Charles Jennings, Tel 0703 318214

RURAL LINK-UP: pictured here are staff in a typical telecottage which is a workplace and training centre in the heart of a village. Such centres are filled with computers and communications equipment that can be used by local people. Britain's Telecottage Association is sponsored by BT, Apple Computers and the Rural Development Commission.

COMPUTER-RELATED SURVEYS

Forthcoming FT surveys on computer-related topics include:
- Computers in Manufacturing (October 15).
- Technology in the Office (October 26).
- Computers in Finance (November 9).
- Software At Work (November 29).

For synopsis details, contact the FT on 071-873-3763

FINANCIAL TIMES
COMPANIES & MARKETS

Tuesday September 21 1993

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BZ earns SFr132m from trust
BZ Trust, the fund management arm of Mr Martin Ebner's BZ Bank group in Zurich, has earned SFr132.7m ($94.4m) in fees for managing BK Vision, an investment company it formed two years ago, in the first eight months of this year. Page 18

Navistar seeks share offer
Navistar International, the Chicago-based manufacturer of heavy trucks and diesel engines, has filed with the US Securities and Exchange Commission for an offering of 22m shares of common stock, to fund a retiree healthcare programme. Page 19

Nike shares fall on warning
Shares in Nike fell sharply in New York yesterday morning after the athletic shoe and apparel manufacturer warned that earnings in the current fiscal year would fail to match 1993 levels. Page 19

United front for media merger
Viacom, the cable company, and Paramount, the film and publishing company, have issued a statement saying that "no hostile takeover bid" would be allowed to stop their merger. However, Wall Street expectations rose of a hostile offer from QVC Network, a home shopping cable channel. Page 19

Hongkong Land rises 9%
Hongkong Land, the Jardine Matheson group's property investment arm, yesterday reported a 9 per cent rise in profit before extraordinary items to $165.9m for the six months ended June 1993. Page 20

Housebuilder slips to £18m
Bryant Group, the UK housebuilding, property and construction company, yesterday reported a small decline in full-year pre-tax profits from £20.3m to £18.3m ($28m). Page 23

Acquisition boosts merchant bank
Close Brothers, the merchant bank, recorded a 42 per cent rise in pre-tax profits to £17.82m ($27m), following its acquisition of Winterflood Securities, which makes markets in the shares of small and medium-sized companies. Page 25

A big leap into copper

Metallgesellschaft of Germany is about to take a big leap to becoming a global copper producer. By 1998 it should be producing about 800,000 tonnes on three continents – 9 per cent of present western world annual output. Page 26

World index slips back
In the five days to last Friday, the FT-Actuaries World Index fell 0.91 per cent, the same fall the week before. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Allianz	2553	+	56	Moulinex	105	+	6
Bayer Vereinsb	515	+	12	Paribas	470	+	8.5
Daimler-Benz	746	+	24.5	Promodes	884	+	12
Deutsche Bank	787.5	+	14	**Falls**			
Mercedes	747	+	25.5	BIC	1294	–	31
Schering	972	+	23	BNP Cert Inv	544	–	16
NEW YORK ($)				Ecco	526	–	14
Rises				**TOKYO (Yen)**			
Centocor	10⅞	+	1¼	**Rises**			
Digital Comms	17¾	+	3½	Fujikura Kasei	730	+	60
Goodyear Tire	45¾	+	¾	Seibu Railway	4060	+	200
Paramount Cmms				**Falls**			
	69¾	+	1	Akebono Brake	587	–	27
Falls				Centrl Finance	516	–	24
Natl Health Lbs	15⅞	–	1⅞	Renown	561	–	55
Nike	46	–	2	Yamazaki	590	–	80

New York prices at 12.30.

LONDON (Pence)							
Rises				Norbain Elec	234	+	16
AAF	56	+	8	Proudfoot	83	+	7
Aranex	55	+	3½	Usher (F)	128	+	7
BM Group	23¼	+	1¼	Vivat	36	+	2
Benford Toys	498	+	[illegible]	Wellcome	710	+	14
Close Bros	430	+	17	**Falls**			
Dinkie Heel	29	+	2	FII	365	–	17
Klearfold	49	+	8	Meggitt	100	–	8
Medeva	114	+	5½	Novo	44	–	3
Morgn Crucible	335	+	22				

Nordbanken's gain shows in agency's loss

By Christopher Brown-Humes in Stockholm

THE EXTENT of the problems jettisoned by the Swedish commercial bank Nordbanken was made clear yesterday when Securum, which took on most of its bad debts, announced a SKr12.9bn ($1.64bn) loss in its first six months of operation.

Securum was set up by the Swedish government in January to speed up the reconstruction of Nordbanken, allowing it to be returned to the private sector as early as the second half of next year. Some SKr67bn in bad debts were taken on by Securum, a separate state-owned agency which received a SKr24bn equity injection from the government.

Nordbanken's subsequent return to profit has prompted criticism that it has gained an unfair advantage over rivals who have not received state assistance. In the first half of 1993, Nordbanken bounced back to a SKr1.7bn profit from a SKr5.2bn loss in the same period of 1992.

Securum's six-month deficit stemmed almost entirely from SKr12bn in credit losses, mainly linked to the collapse of the Swedish property market. Around 40 per cent of the losses are linked to 15 large credit engagements.

The process of selling off assets has already begun, although the focus of Securum's efforts has been to sort out its bad loan portfolio with a view to enhancing future sales values. The agency has been deliberately constructed to avoid the need for distressed sales, with the sell-off phase expected to last up to 15 years.

"We are only two miles into a marathon," said Mr Lars Thunell, the head of Securum.

The reorganisation of the credit portfolio is nearly complete and future losses are expected to be much smaller. Around SKr15bn of Securum's SKr24bn capital has already been wiped out, and the balance is expected to disappear during the disposal phase.

Securum has 15 daughter companies, with activities in Sweden, the US and a range of European countries including the UK, Germany and the Benelux states.

It has already taken over 450 properties in Sweden, but the final total is expected to be between 1,500 and 2,000. In addition to property, Securum owns 61 per cent of Nobel Industries.

Sweden's Bank Support Authority, the state body set up to tackle Sweden's banking crisis, said yesterday it had written down the value of Securum by a further SKr13.15bn to SKr1bn.

SocGen to raise Rhône-Poulenc and AGF stakes

By Alice Rawsthorn in Paris

SOCIETE Générale, one of France's largest banks, plans to raise its minority stakes in Rhône-Poulenc, the chemicals company, and Assurances Générales de France (AGF), the insurance group, as part of the French government's privatisation drive.

Mr Marc Viénot, chairman, said in an interview with Les Echos, the French financial newspaper, that his bank was "definitely interested in strengthening our investment position" in Rhône-Poulenc. He also envisaged increasing Société Générale's holding in AGF, which he regarded as a "well run business".


Marc Viénot: "interested in strengthening our investment"

Since it first unveiled its privatisation plans, the new centre-right French government has made it clear that it hopes to enlist *noyaux durs*, or "hard core" shareholders, to take long-term stakes in former state-controlled companies.

The *noyaux durs* are part of corporate tradition in France, where the state has historically played a prominent part in industrial ownership and strategy. Hard core investors are seen as a means of stabilising newly privatised concerns and protecting them against hostile takeovers.

Société Générale, which was privatised in the mid-1980s by the last conservative French government, was one of the first companies to declare an interest in acting as a *noyau dur*.

It already holds stakes of less than 5 per cent in both Rhône-Poulenc and AGF. Mr Viénot said those holdings would be increased. However, he stressed that Société Générale planned to stick to its present policy of spending between FFr2bn and FFr3bn ($534m) a year on investments.

A number of other prospective *noyaux durs* have emerged. Banque Nationale de Paris (BNP), the first candidate for sale, will continue its cross-shareholding agreements with Union des Assurances de Paris (UAP), the French insurer, and Dresdner Bank of Germany. Matra-Hachette, the electronics and media group, has indicated its interest in Renault, the car company due to merge with Sweden's Volvo.

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Bond issues push MAI up to £80m

By Peggy Hollinger in London

RECORD bond issues by governments and companies fuelled a 13 per cent increase in pre-tax profits at MAI, the financial services, information and media group headed by Lord Hollick.

The group, which yesterday announced pre-tax profits of £80.2m ($123.5m) for the year to June 30, also revealed that its 61 per cent-owned broadcasting company, Meridian, was ahead of budget. Meridian won the ITV south of England franchise with a £36m bid.

MAI's results, struck on turnover 36 per cent up at £528m including an £86.6m contribution from Meridian, were slightly ahead of analysts' expectations. Forecasts were upgraded by as much as £7m to £96m for the current year.

Lord Hollick, managing director, said profits had been driven by currency gains and the group's securities business in the US and UK. Governments had increasingly sought funding from bond markets.

Foreign exchange dealing had been less satisfying, with the poorest performance out of Asia. Business in Japan had been held back by turmoil in the Japanese banking sector, and the collapse of the Tokyo stock market. Overall, money broking and securities increased trading profits by 27 per cent to £55.9m.

The information division saw a 70 per cent rise at the trading level to £8m, due to cost savings from the merger of the market research groups NOP and MRI and a maiden contribution from financial information.

Retail financial services enjoyed a strong contribution from Wagon, the car finance operation. However, the insurance arm, Safeguard, had been hit by intense competition from direct telephone sales.

Earnings per share rose from 13.7p to 15.8p. The dividend was increased by 6 per cent to 4.9p, for a total of 6.9p (6p).

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Michel Pébereau talks to Peter Martin and Alice Rawsthorn

Growing together to make banking exciting

The task facing Mr Michel Pébereau, recently appointed head of Banque Nationale de Paris, is to make business as usual sound exciting and glamorous as he sets about persuading investors to buy the shares. BNP, France's third largest bank, heads the new government's queue of privatisations.

Mr Pébereau admitted the bank had a problem with profitability – net profits in the six months to June 30 fell 61 per cent to FFr522m ($91m) – but that was because of the economic climate. An improvement was already on the horizon: "I feel that we are now at the bottom of the economic cycle," he said yesterday.

"Our small corporate clients are less pessimistic and there has been a slight improvement in the residential property market. The economy ought to recover progressively from early next year."

For the bank, this year was proving difficult and 1994 would not be easy; a sustained recovery in profits would probably start in 1995. Such short-term worries aside, the bank needed merely "classic management strategy", building on its strengths as both a *banque de proximité*, or neighbourhood bank, and as an international bank for big clients.

Mr Pébereau drew a clear distinction between his former role as boss of Crédit Commercial de France, which he repositioned as specialist banker to the entrepreneurial classes, and the job he faces at BNP. "CCF is a medium-sized bank which can move quickly into market niches. BNP is a far larger bank which is preoccupied by market share."

As a result, BNP pins a good part of its future on the continued role of the neighbourhood bank in France. The fact that each of its 2,000 branches caters for a wide range of customers – from a company president to the lowest-paid of his employees – was a marketing challenge, not a strategic problem, said Mr Pébereau.


Michel Pébereau: 'I feel that we are now at the bottom of the economic cycle'

The branch network could be made more profitable by pushing through more insurance products. Some of these would come from Union des Assurances de Paris, the state-owned insurer, which has cross-shareholdings with BNP.

But better returns would also come from keeping a close eye on the profitability of individual branches.

Why were French banks on the whole less profitable than those in other European countries? "We're not over-manned," said Mr Pébereau. Measurements of individual productivity showed BNP comparing well with its foreign rivals and it was ahead of many of them on information technology.

Costs were relatively high in relation to revenues by international standards largely because French banks' prices for their services were low. That might change in coming years as the attitude of non-profit-making institutions, such as Crédit Agricole and other mutual banks, became more commercial.

The needs of local clients were an important factor in BNP's alliance with Germany's Dresdner Bank, which will lead after privatisation to 10 per cent cross-shareholdings. Though the deal carries wider ambitions, part of its purpose is the mundane one of improving banking connections between local clients in the two countries.

"BNP's French clients can use the Dresdner network in Germany and their German clients can use our branches in France," he said. "Eventually, we will need to offer a similar facility in other European countries."

The other aim of the relationship with Dresdner is ensuring that the two emerge as members of what Mr Pébereau believes will be a small group of leading international banks, perhaps eight in all. Shoulder to shoulder, BNP and Dresdner have a better chance of staying close to the front of a pack that includes such sharp-elbowed competitors as Citicorp. Displaying his civil service training, Mr Pébereau reeled off a list of the four types of international clients the two banks would target and the six types of service he hoped to sell them.

Just as significant, however, are the things he is not proposing to do on the international scene. His neighbourhood banking ambitions are confined to France, so such interesting oddities as Bank of the West, a retail bank BNP owns in northern California, will remain just that: an interesting oddity.

He has no desire to set up a big trading operation, implying revenues will continue to be heavily dependent on interest income. And he does not expect to break into the international mergers and acquisitions business.

French retail investors are being offered a simpler message. Though a price for the offering will not be announced until early October, the television commercials are already running using a slogan which emphasises BNP's customer relationships: "Let's grow together."

The trick, as Mr Pébereau realises, is to keep the togetherness and still achieve the growth.

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UAM to acquire large Scottish fund manager

By James Buxton, Scottish Correspondent

MURRAY Johnstone, Scotland's second largest independent fund manager, is to be acquired for £49m ($75m) by United Asset Management, a quoted US company.

Murray Johnstone, which manages funds totalling £4.3bn, will retain its name and independence of operations, investment policies and personnel.

UAM is a holding company based in Boston which owns 35 fund management companies, managing a total of $86bn. It has a market capitalisation of $1.1bn in New York.

UAM does not manage securities itself and does not dictate investment strategies to its subsidiaries but it encourages them to compete against each other. UAM will receive a percentage of Murray Johnstone's revenue.

The acquisition of Murray Johnstone is UAM's biggest outside the US. It already owns two London-based fund managers, Alpha Global Fixed Income Managers and Ki Pacific Asset Management.

Four Murray Johnstone investment trusts – Murray International, Murray Income, Murray Smaller Markets and Murray Ventures – own 75 per cent of Murray Johnstone Holdings. They and the current and past employees who own 18 per cent have agreed to UAM's offer of new shares in the US company with a cash alternative. The remaining 8 per cent is owned by Kemper Financial Services of Chicago.

Murray Johnstone said: "We're delighted to have found a solution which enables us to retain our managerial independence."

BZ Trust earns SFr133m for managing BK Vision

By Ian Rodger in Vienna

BZ Trust, the fund management arm of Mr Martin Ebner's BZ Bank group in Zurich, has earned SFr132.7m ($94.4m) in fees for managing BK Vision, an investment company it formed two years ago, in the first eight months of 1993.

BK Vision specialises in investing in Swiss financial shares and in the past few months Swiss banking shares have performed very well.

The BZ Trust fee schedule provides for sharply increasing fees as the performance of the funds it manages improves. BK Vision bearer shares rose in the first eight months of 1993 by 43.1 per cent to SFr1,431. Its net asset value at the end of August was SFr1.4bn or SFr1,425 per bearer share.

Mr Kurt Schiltknecht, president of BZ Trust, said there had been no criticism of the fees from shareholders. "They are looking at the performance of the share," he said.

The BZ commission formula provides that fees are paid quarterly based on the rise in the BK Vision share price. If the price rises by less than 6 per cent (on an annualised basis), no commission is paid. If the rise is between 6 and 10 per cent, the fee is 20 per cent of the increase. Between 10 and 15 per cent, it is 35 per cent and thereafter it is 30 per cent.

Mr Schiltknecht pointed out that the structure also has an important negative side. If the share price declines, then it must recover its loss and gain 6 per cent before any commission is paid.

Critics say that it is no great achievement for a specialised fund to achieve large gains when its sector as a whole is doing well. It would be more appropriate, they argue, to relate the fees to the extent to which BK Vision shares outperformed the banking sector.

Mr Schiltknecht rejected this criticism. "Other people follow the same approach as we do," he said. "We informed investors in advance, and everyone who buys the shares knows what the structure is."

BZ Trust drew similarly large fees a few months ago from Pharma Vision, another investment company it manages, when pharmaceutical share prices were performing very strongly.

Spotlight on Altus and Phénix bid for FNAC

By Alice Rawsthorn in Paris

THE FRENCH stock market authorities have asked Altus Finance and Compagnie Immobilière Phénix to clarify their intentions towards FNAC, the music and books retailer, following an official investigation into their bid for control of the company.

The investigation, which began last month after complaints about the circumstances of the Altus and Phénix bid, concluded that a fair value for FNAC, a bastion of French retailing and the dominant force in the music and books market, was between FFr2.4bn ($427.05m) and FFr2.7bn.

Under the terms of their bid Altus, a subsidiary of the Crédit Lyonnais banking group, and Phénix, part of the Compagnie Générale des Eaux utilities concern, had an option to buy a controlling 54.78 per cent stake in FNAC for FFr1.2bn, thereby valuing the company for only slightly less than the lowest estimate.

Altus and Phénix negotiated the option to buy the controlling holding with Garantie Mutuelle des Fonctionnaires (GMF), the French mutual insurance group which needed to raise capital to counter its losses on other activities.

Other prospective purchasers have indicated their interest in FNAC, notably Pinault-Printemps, the heavily indebted French retail group, and Bertelsmann of Germany.

Metal group suitor under wraps

Kenneth Gooding on the mystery surrounding Union Minière

WHO IS courting Union Minière? That is one of the best kept secrets in the mining and metals business.

Some time has gone by since UM's owner, Société Générale de Belgique, started discussions with a "potential industrial partner" for UM and when the half-year results were announced last week La Générale mentioned them again. But even those analysts closest to the companies have no idea of the potential partner's identity.

Perhaps this is because UM has given them so much else to think about.

It has thrown itself enthusiastically into a cost-cutting exercise designed to improve margins by BFr4bn ($116m) a year by the end of 1994 and to have full impact in 1995.

At the same time a change of strategy will see UM reduce its exposure to the highly-cyclical zinc market while investing in copper, precious and special metals and recycling.

This startled the metals industry because UM is the western world's biggest producer of refined zinc. Now it wants to quit zinc mining by selling its US and Swedish operations within five years. The remaining European refining business will be used to fund expansion elsewhere.

The reorganisation is going smoothly so far: 1,312 people have been made redundant, about 10 per cent of the workforce, and BFr2.35bn of savings were achieved by the end of 1992. Although net group operating profits fell by 46 per cent to BFr478m in the first half, UM believes the rationalisation helped keep it in the black in "an extremely unfavourable economic environment".

What of the partnership talks?

The original idea was for the partner to buy about 30 per cent of UM for between BFr14bn and BFr17bn and thus reduce La Générale's stake to just above 50 per cent. Analysts suggest a deal was very close earlier this year but the relationship has cooled and it is now unlikely SGB will cut its UM shareholding this way.

Mr Jean-Pierre Rodier, UM's chief executive, who is leading the discussions, certainly gives the impression there is no urgency. He meets executives of UM's potential partner every now and then "to discuss strategic issues". He says: "It might make sense for the companies to meet every two or three months and one day we might have a deal. It might take three months, it might take two years."

A sale to an industrial partner would "be an exciting way of reducing the La Générale shareholding – but we could always use the stock market instead".

In fact, La Générale made a start recently when London stockbrokers Smith New Court bought 5.2 per cent of UM from SGB and sold it to a number of institutions for about £50m.

These corporate manoeuvres will continue. Compagnie Financière de Suez, the French investment bank, in 1987 won a bruising battle with Italian financier Mr Carlo De Benedetti for control of SGB, Belgium's biggest holding company. Now Suez wants to sell its industrial interests within five years and concentrate on financial services. Therefore many analysts assume that La Générale eventually might sell all its UM shareholding.

Mr Rodier hopes that none of this will interfere with the initiatives he is taking at UM.

The group took shape after the Suez takeover when all the metals-related activities of La Générale – including Metallurgie Hoboken-Overpelt and Vieille Montagne – were put into one company, but one that lacked strategic direction.

Mr Rodier was recruited from Metaleurope, another European zinc group where he was chief executive, early in 1991 to provide that direction.

He split the group into 12 divisions to make it more responsive and gave much more responsibility to the management of each division. And, as a first step towards restoring UM to profitability, at the end of 1991 he brought forward by a year closure of the zinc operations at Overpelt in Belgium, which lost BFr300m in 1991, and shelved indefinitely a plan to double annual capacity to 400,000 tonnes at the Balen refinery, also in Belgium.

Mr Rodier says UM previously was making only an 8 per cent return on capital over the business cycle whereas La Générale sets a target of 14 per cent. To achieve that target UM must improve its operating margin by BFr4bn a year by 1994-95 compared with 1991.

The initial plan estimated that 51 per cent of the BFr4bn savings required would come from cuts in industrial and administrative costs, 28 per cent from increasing commercial margins, 15 per cent by increasing production volumes and 6 per cent from carefully screening investments.

Some BFr1.5bn of savings were realised by the closures at Overpelt and cutting headquarters staff. Another BFr1.5bn will come from a large number of small projects, such as opening up manufacturing bottlenecks, restructuring, dropping products and so on, most of which are to be realised at the Hoboken plant in Belgium which recycles lead and waste materials to produce precious metals.

The final BFr1bn is to come from a "basket of ideas" from divisional managers.

UM is the biggest producer of refined copper in Europe and sixth largest in the world but has no mines or smelters of its own. Much of its output goes to produce downstream products such as its own Contirod wire. The copper refinery at Olen in Belgium needs to be modernised – a decision will be taken early in 1994 – but to make that worthwhile UM must secure more raw material supply.

At present, it gets about one third from its stake in the Cananea mining-smelting operations in Mexico and it is in the final process of signing a 10-year supply deal with another big smelting company. This would involve expansion of an existing smelter by an annual 50,000 tonnes for between US$50m and $100m.

UM also intends to invest BFr1bn in waste refining activities, lead/copper smelting and recycling activities at Hoboken.

Recycling of cars will grow dramatically in the next 10 years and UM is considering investing between BFr500m and BFr1bn to become one of the key players.

Analysts expect Mr Rodier to sell off non-core assets such as investments in Asturienne, a mica products company, the OVP Plascobel plastics operation and Sibeka, a diamond company. But they are still guessing about the potential partner which is supposed to reduced UM's exposure to the metals price cycle.

Finmeccanica units in US move

By Robert Graham in Rome

FINMECCANICA, the principal industrial arm of IRI, the Italian state holding company, has decided to float 40 per cent of two of its leading engineering subsidiaries in the New York stock market.

The flotations of Elsag Bailey Process Automation and Union Switch and Signal, which await Security and Exchange Commission approval, are due to be completed by the end of the year. a

Elsag Bailey Process Automation is a recently created Dutch company encompassing the international automation process equipment and numerical control activities of Genoa-based Elsag Bailey. These international activities generate an annual turnover of $600m, equivalent to some 60 per cent of the total.

Elsa Bailey, the parent, is already quoted in Italy with some 20 per cent in third-party hands. Finmeccanica has been concentrating on this group as one of the main sectors generating future earnings, and needs the funds from flotation to finance costly restructuring elsewhere – especially in the defence and aerospace sector.

The same considerations lie behind the quotation of 40 per cent of Union Switch and Signal, a US-based company controlled by Finmeccanica's engineering and rolling stock group headed by Ansaldo. Union, a leader in railway signalling and switching gear, has plants in the US and Canada.

Morgan Crucible stronger than feared

By Richard Gourlay in London

MORGAN Crucible, the UK-based materials technology group, yesterday went some way towards dispelling concerns about its balance sheet and profitability.

Reporting a 5 per cent rise in interim pre-tax profits to £32.5m ($49.7m), Mr Bruce Farmer, chief executive, said the group generated £5.3m of net cash after maintaining capital expenditure, against a £26m outflow last year.

Analysts were equally encouraged that Mr Farmer reconfirmed a commitment to resist the acquisition trail.

Six months ago investors were concerned about the group's high gearing, the use of acquisition provisioning that appeared to bolster profits and the sheer volume of corporate deals.

Mr Farmer would not comment on progress towards selling the Holt Lloyd car care business, which is considered non-core and depresses group operating margins. The subsidiary made a £3m first-half operating profit in a "sparkling performance" and was likely to make £7m for the full year, he said.

The pre-tax profit increase was struck on sales up 19 per cent at £401.6m, or an increase of 6.4 per cent excluding the effect of currency adjustments and acquisitions.

Earnings per share rose 2 per cent to 9.6p and the group is paying a maintained 5.75p interim dividend.

Morgan Crucible squeezed £23.7m cash out of working capital – equally from stock and debtors – but net debt remained less than £1m lower than the year-end figure at £157.7m after adverse currency movements.

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Spanish bank completes deal

BANCO Santander yesterday said its takeover bid for Portugal's Banco de Comercio e Industria (BCI) had closed successfully. The Spanish bank's stake in BCI is now up to 74.8 per cent from 19, AP-DJ reports from Madrid.

The bank paid Es1,400 a share for the stake, representing a premium of 40 per cent. It spent a total of Es21.1bn ($128m).

The bid was launched last May.

Georg Fischer foreshadows net loss for full year

By Ian Rodger

GEORG FISCHER, the Swiss foundries and engineering group, expects to report a group net loss of between SFr30m ($21.1m) and SFr5m this year, following a depressed SFr11m profit last year.

Mr Martin Huber, chief executive, also forecast at a press conference in southern Germany that sales would fall by about 15 per cent from last year's SFr2.45bn.

The group, which is heavily dependent on the German motor industry, said it had made a loss in the first half, but gave no figure.

Sales in the first eight months fell 23 per cent to SFr1.3bn, 18 per cent excluding divested businesses. New orders during the same period fell 18 per cent to SFr1.3bn.

The group said its process of concentrating on key businesses was largely completed and it aimed to return to break-even next year in spite of recessed markets.

● Steyr-Daimler-Puch, the Austrian engineering group 71 per cent owned by Creditanstalt-Bankverein, plunged to a first-half loss of Sch161m ($14.2m) after a Sch22m profit in the same period last year. Sales tumbled to Sch5.59bn from Sch8.13bn.

The group saw no improvement in the short term.

INTERNATIONAL COMPANIES AND FINANCE

Players take the field for Paramount bid battle

Viacom's $8.2bn offer for the film group looks set to spark a hostile exchange, says Martin Dickson

POWERFUL forces are rumbling into position for what increasingly looks like becoming a takeover battle royal for Paramount Communications, the film and publishing company which agreed nine days ago to be acquired by cable company Viacom for $8.2bn.

No other bids are yet on the table, but increasing anxiety was evident at Viacom and Paramount yesterday when the two companies issued a statement declaring that "no hostile takeover bid" would be allowed to stop their merger.

Nevertheless, shares in Paramount rose sharply again on the New York Stock Exchange, to stand at $69¼, up $⅞ at lunchtime, as Wall Street expectations intensified of a hostile offer from QVC Network, a home shopping cable channel headed by Mr Barry Diller, a highly respected former Hollywood executive.

Meanwhile, Mr Ted Turner, the mercurial head of Turner Broadcasting System, is also looking at ways of getting involved in a bid for Paramount.

Other large media companies, both US and European, are believed to be eyeing up Paramount to see whether they can launch a full bid or at least profit from any post-takeover break-up of the business.

Wall Street merger and acquisition specialists are salivating over what could be the first major hostile takeover bid in the US since American Telephone & Telegraph's $7bn acquisition of computer company NCR in 1991.

It is not difficult to see why there is so much manoeuvring. Paramount owns Paramount Pictures, one of few leading Hollywood film studios not yet taken over by a giant conglomerate, and that makes it an extremely attractive property in a world where media businesses are keen to integrate vertically television and film production, packaging and distribution over cable networks.

The likeliest counter-bidder is QVC, although at first sight it might seem an improbable contender. It is relatively small, with 1992-3 turnover of $1bn, compared to Paramount's $4bn.

However, Wall Street has been expecting great things from QVC since Mr Diller took a large equity stake last December and became chief executive.

Mr Diller, who played a key role in building Rupert Murdoch's Fox group into America's fourth television network, sees a great future in home shopping as the US enters the age of interactive home entertainment, but he is also considering using the company as a vehicle to build up a much more broadly based media empire.

He has some very powerful allies. The other leading shareholders in QVC are Comcast, a large cable television service company, and Liberty Media, a cable programme supplier.

Liberty was spun off in 1991 from Tele-Communications Inc, the largest cable service company in the US, although it retains strong links with TCI. Mr John Malone, the chief executive of TCI is also chairman of Liberty.

TCI, unlike chief rival Time Warner, the second largest cable service company in America, does not own a movie studio.

Comcast and Liberty are rumoured to be prepared to put $1bn behind a QVC bid for Paramount, through a purchase of convertible securities, which would give much greater credibility to a bid by Mr Diller and could allow him to offer more cash than the $9.10 a share on the table in Viacom's bid, which consists mainly of stock.

However, a bid by QVC could run into political and anti-trust difficulties, given its links with Mr Malone. TCI accounts for some 20 per cent of an industry whose monopolistic structure makes it far from popular in Washington - particularly since a package of regulatory reforms which were intended to cut cable rates seems in many cases to have increased them.

The Clinton administration has yet to show just where it stands on anti-trust policy, but it has threatened to be tougher than the laisser faire Bush administration. And Mr Al Gore, the vice president, seems to be no fan of Mr Malone. He is reported to have once called him the "leader of the cable Cosa Nostra."

Bringing Turner Broadcasting into a bid would create even greater complications and potential conflicts of interest. That company's leading shareholders include TCI, as well as Time Warner, whose ownership of Hollywood's Warner Brothers studios would prompt anti-trust questions.

These issues apart, a rival bid could face problems over takeover tactics. First, Paramount has put in place a poison pill which allows Viacom to buy 20 per cent of its stock at $69.14 a share (the initial value of Viacom offer) under "certain circumstances" - which presumably means a rival offer higher than that. Paramount would also have to pay Viacom $100m for non-consummation of the deal.

However, dissident shareholders are already challenging the stock sale "lock up" in the courts of Delaware, where Paramount is incorporated. Such poison pills rarely prevent bids going through.

Another problem, though a long way down the road, could come from the courts of Delaware, which in an important test case in 1989 allowed the board of Time to accept an offer from Warner Communications, even though it was lower than a rival offer from Paramount, on the grounds that the board deemed it to be in the group's best long-term strategic interests.

How ironic, then, that Paramount should yesterday attack the idea of a hostile bid by declaring that the Viacom deal would create for shareholders "a global media entity unparallelled in the entertainment world."

Navistar to restructure healthcare funding

By Laurie Morse in Chicago

NAVISTAR International, the Chicago-based manufacturer of heavy trucks and diesel engines, has filed with the US Securities and Exchange Commission for an offering of 22m shares of common stock. The issue is to fund a retiree healthcare programme.

The benefit fund, and the stock offering, are part of an unusual contract settlement reached earlier this year with current and former Navistar employees. The restructuring is expected to save Navistar $200m annually.

The stock will have a par value of 10 cents per share and should raise about $500m. An additional 3m shares will be issued if the offering is oversubscribed.

Navistar plans to place $300m of the proceeds immediately into the healthcare benefits programme and use the balance as working capital. However, all of the funds from the offering must be contributed into the healthcare fund within five years.

The new stock issue will increase Navistar's outstanding shares by about a half. Upon completion of the offering, the company will have about 73m common shares outstanding.

Navistar shares were down $⅜ at $20¼ before the close in New York yesterday.

Computer group completes deal

HEWLETT-PACKARD, the US electronics group, yesterday completed its acquisition of BT&D Technologies, a joint venture between BT and DuPont specialising in fibre optics, writes Alan Cane.

According to Mr William Craven, general manager of H-P's components group, the deal will make H-P the world's largest independent supplier of optoelectronic components.

Agreement in principal to the purchase had been reached in May.

Row looms over US accounts rules

By Richard Waters in New York

THE accounting profession yesterday fired the opening shots in what it likely to become a contentious battle to force US companies to disclose more information about their operations.

Its proposals were immediately attacked by financial executives, who said they could leave another layer of costly regulation, and force companies to give away sensitive information.

After two years of study into what investors, creditors and others want from financial reports, the American Institute of Certified Public Accountants says there should be greater segmental reporting by companies. They want them to break their figures down along product and geographical lines.

In the past this has proved one of the most contentious areas of debate between accountants and companies, many of which fear greater disclosure would give valuable information to competitors.

The US's leading professional accounting body also suggested companies should give readers of financial statements more information to assess a company's prospects, such as the market share of its main products and its strategy. Auditors would have to produce reports assessing the quality of earnings.

"We were concerned that financial reports are becoming a smaller and smaller part of the information used to assess companies," said Mr Edmund Jenkins, chairman of the AICPA special committee on financial reporting.

The Financial Executives Institute, however, said the requirements could force companies to release sensitive information. Mr Norman Roy, president, said he was concerned the accounting profession had gone public with its plans without talking to company representatives.

As part of the move to force directors and auditors to give broader information and assessments of earnings, the committee will recommend a reform of liability law, said Mr Jenkins, a partner in the accounting firm Arthur Andersen. This would produce a "safe harbour", or immunity from legal action, for directors and auditors who conformed with certain standards.

Profit warning hits Nike shares

By Frank McGurty in New York

SHARES in Nike fell sharply in New York yesterday morning after the Oregon athletic shoe and apparel manufacturer warned that earnings in the current fiscal year would fail to match 1993 levels.

In response to the announcement, Wall Street marked down Nike's shares by $1⅞ to a 52-week low of $46¼ in heavy trading. The stock, which was hit hard in June after the company scaled back its growth projections, has lost nearly half its market value since last November.

The company said it was basing its projections on a downturn in "futures" orders, placed by retail outlets six months ahead of delivery. These were lagging, it said, because retailers remained cautious in the face of continued economic sluggishness in the US and overseas.

In the first quarter, to August 31, net income was $114m, or $1.49 a share, down 7 per cent from the comparable period of 1992, when Nike posted earnings of $122m, or $1.60. It said unfavourable currency exchange rates and higher US taxation were largely responsible for the decline. If these factors had remained at 1992 levels, earnings would have been $1.61 a share, about the level analysts had anticipated.

The setback came on the back of a 1 per cent increase in revenues to $1.107bn, against $1.099bn in the first quarter of 1992.

In the US, footwear sales out-paced last year's levels by 5 per cent, led by an 29 per cent increase in outdoor shoes, the category which is expected to show the most growth in the current year. Sales of basketball shoes, Nike's mainstay line, slid 16 per cent to $159m.

Cascades sells carton plants

THE International Cascades paper and packaging group has sold three US carton plants and two Canadian plants to Shorewood Packaging of the US for C$144m (US$109m), almost all in cash, writes Robert Gibbens in Montreal.

The deal completes a series of Paperboard Industries' asset sales intended to reduce the company's debt.

Cascades acquired Paperboard Industries last December, and took it public. Last month it sold several of its western Canada packaging plants to a Canadian group for almost C$100m.

Mexico sells 51% holding in state insurer

By Damian Fraser in Mexico City

THE MEXICAN government has sold 51 per cent of the state-owned insurance company Aseguradora Mexicana (Asemex) to Grupo Mexival-Banpais for 1.807bn pesos ($582m).

Asemex is Mexico's fourth-largest insurer, with assets of 4.219bn pesos. It is the country's leading casualty company, and insures federal government entities, such as Petróleos Mexicanos, against damages. It also insures some of the country's leading companies, such as Aeromexico, Mexicana, Alfa, ICA and TMM. In the eight months to August, it posted profits of 82.8m pesos.

The purchase turns Mexival-Banpais into Mexico's fourth-largest financial group by assets. Banpais, a medium-sized Mexican bank, was itself bought from the government by the brokerage Mexival for 544.9m pesos in June 1991.

The finance ministry said Mexival-Banpais would incorporate Asemex into its financial group, and aim to penetrate the life assurance market. It would also seek to sell an equity stake in Asemex to one or two foreign insurance companies.

Mexico's insurance industry suffered in the highly inflationary 1980s, with life assurance products performing particularly poorly. In 1990, insurance premiums only constituted 1.2 per cent of GDP, against 3 per cent in Chile and 3.1 per cent in Argentina.

However, with inflation now down to single digits, and incomes rising, the sector is expected to grow.

In anticipation of growth, several foreign insurance groups have recently formed alliances with Mexican companies. Commercial Union of the UK, Aetna, and New York Life Insurance Company of the US and Asicurazoni Generali of Italy, among others, have acquired large minority stakes in Mexican insurers.

Toshiba to merge two loss-making operations

By Emiko Terazono in Tokyo

TOSHIBA, the Japanese electrical group, is merging two members of its *keiretsu*, or industrial operations, amid deteriorating economic conditions and an appreciating yen.

Tokyo Electric and TEC Electronics, a sales affiliate, are to be merged in October next year. Toshiba owns 51.3 per cent of Tokyo Electric, which in turns owns 51.2 per cent of TEC.

The move reflects the increasing pressure on companies that supply Japan's big exporters of consumer durables, notably high-technology groups and the carmakers.

It is a further step by Toshiba to improve profits following a string of recent disposals. The company sold Toshiba Steel Tube in March, and Onkyo, an unlisted audio visual production subsidiary, in May.

The two companies, both listed on the first section of the Tokyo stock exchange, aim to improve earnings by integrating production and marketing operations. One TEC share will be converted into one Tokyo Electric share.

The enlarged company will have a staff of some 7,300. Both companies posted losses for the year to last March, and yesterday projected heavier loss estimates for the half year to September.

Tokyo Electric, which made a pre-tax loss of Y4.1bn ($39.3m) last year, is projecting a mid-term pre-tax loss of Y5.4bn. TEC, which suffered a pre-tax loss of Y5.4bn last year, is expecting a six-month deficit of Y3.5bn.

The new company is expected to post sales of Y185bn in the year ending March 1995, and Y210bn in the following year.

● Toshiba also plans to reorganise its operations into four main business groups. The revamp is the most far-reaching by the company since 1988, when Toshiba's computer and control systems divisions were merged.

Toshiba said the decision, which puts multi-media operations at the core of its operations, will enable the company to react to the rapid changes in the business environment.

Australian bank plans A$118m share issue

By Bruce Jacques in Sydney

BANK of Melbourne, the regional bank, has become the latest Australian company to take advantage of a buoyant share market to top up its capital base.

The bank yesterday announced a A$118m (US$77.1m) issue of convertible preference shares, which will qualify as Tier 1 capital under central bank prudential guidelines.

The shares, with renounceable rights, will be issued on a one-for-12 basis at A$13 each. They will qualify for a 6 per cent annual dividend entitlement and a conversion date no later than November, 1998.

The launch follows a preference issue earlier this year from Australian banking rival, Westpac. Mr Christopher Stewart, Bank of Melbourne chief executive, said proceeds of the issue would be used for general purposes.

● Normandy Poseidon, the mining group, is to acquire the Larvik Pigmentfabrikk business from Norzink, the Norwegian zinc producer, for about A$30m.

The acquisition, through Normandy Poseidon's CML division, includes worldwide rights to the Larvik-process, a leading zinc dust production technology.

It also includes royalties arising from the Larvik technology, a zinc dust production facility at Larvik in Norway, and a licence to construct further facilities in Malaysia, close to CML's existing industrial minerals plant.

Norzink is controlled by RTZ Corp and Trelleborg of Sweden. Larvik produces 12,000 tonnes of zinc dust and zinc oxide annually. With existing production and the planned plant in Malaysia, CML's annual zinc vapour output would be about 25,000 tonnes.

● Broken Hill Proprietary is to buy an Australian subsidiary of Conoco of the US for an undisclosed price. BHP expects the transaction to be settled within two months.

Turkey moves into line with EC

John Murray Brown on a thorough shake-up of the banking sector

TURKEY'S new banking law, which officials describe as the biggest change in the financial landscape since the mid 1980s, entered the statute book last week.

The long awaited decree accelerates Turkey's economic convergence with the European Community, and underpins the growing internationalism of what is already the country's most up-to-date business sector.

The new law has a number of broad objectives:

● To force banks to strengthen balance sheets through improvements to assets quality and through the provision of extra capital as a cushion against bad debt;

● To help restructure the sector, notably in creating a more formidable buffer between banks and their industrial affiliates;

● To reduce the role of the state by forcing loss-making public banks to run down loan portfolios in order to meet the more stringent capital requirements.

Taken with the plans for the privatisation of state banks, the government reforms represent the most thoroughgoing shake-up of the banking system since the mid-1980s.

The legislation establishes international standards of banking prudence, bringing Turkey into line with the EC's second banking directive on a number of key issues – legal lending limits, property exposure, and a bank's equity participations.

For the first time, banks will have to publish externally audited accounts, something a number of state banks have not done in the past.

The moves have been well received by the industry. Mr Ibrahim Betil, of Bank Ekspres, is particularly encouraged by the changes to the bankruptcy provisions for banks.

Until now, the government was left to bail out insolvent private banks, which were either merged with or transferred to a state bank.

Under the new law, a bank can choose liquidation. Such a threat, Mr Betil believes, will encourage greater efficiency. It will also make depositors take the overall health of a bank into account.

Turkey has 69 banks, of which 57 are commercial banks. Total assets at the end of 1992 stood at $67.2bn. The state dominates the sector, with the nine state banks accounting for half of the assets, a ratio which, despite liberalisation and the arrival of new banks, has changed little over the past decade.

The challenge for Turkey is to balance liberalisation with the need for a better regulatory framework.

Considerable strides have been made. Changes in the debt provisioning rules were introduced in 1988, together with a communiqué on capital adequacy the following year.

Treasury officials concede that the provisioning policy is "not 100 per cent in line with EC practice". Turkish banks also have some way to go to meet the capital adequacy requirements of Bank for International Settlements.

Banks have six years to meet the new capital ratios but the property provisions have to be in place by 1995. The choice for many banks is either to raise new equity or sell property assets.

Dr Ekrem Kesin, senior economist at Turk Economi Bankasi, says there should be little difficulty in accommodating the changes. Many private banks are currently reporting peak profits, although the day when some family-owned banks are forced to float shares on the stock market may not be far off.

The new regulations go some way towards addressing the need for more arm's length dealings between banks and related third parties, such as subsidiary companies, directors and partners. In parallel with this, there are now additional curbs on the equity investment a bank can make.

Mr Aclan Acar of Garanti believes that from now on, group companies will be encouraged to be more independent of the group banks.

In the state sector, with profits squeezed and the government unlikely to pump more funds into the sector, most state banks will be forced to run down investment holdings.

On a modest scale, this is already happening. The state owned Development Bank TKB is selling its participations in rural industries. Vakiflar Bankasi is following a similar course. But bank analysts say for the bigger state banks – like Halk, Emlak and Ziraat – the capital targets are a considerable challenge.

Isbank, the largest commercial bank, is 40 per cent state-owned and has been more successful in divesting shares. But Mr Unal Korukcu, general manager, points out that even here, the nominal share portfolio has actually increased as non-performing loans have been converted to equity.

Mr Korukcu also suggests that with fewer good borrowers at current high real interest rates, the high level of liquidity of many banks is hampering efforts at meeting capital standards.

Yet whatever the difficulties, the way ahead seems unmistakeable. The state is in retreat. As the state banks put their houses in order, they will also be preparing for their eventual privatisation. This is the central pillar of the government's reform programme.

Hongkong Land ahead by 9%

By Simon Davies in Hong Kong

HONGKONG Land, the Jardine Matheson group's property investment arm, yesterday reported net profit before extraordinary items of US$165.9m for the six months ended June 1993, representing a 9 per cent increase over the 1992 figure.

The interim dividend is being increased to 3.15 US cents from 3 cents last time.

The company also booked a US$213.2m extraordinary profit from the US$490m sale of its Number Nine Queens Road commercial development. The deal was announced in May 1992, but was only completed in June 1993.

Hongkong Land remains the colony's largest commercial landlord, and with average leases of three years on its property portfolio, it is still feeling the affect of a sharp downturn in office rentals in 1989 and 1990. However, commercial property prices have appreciated substantially in the past 12 months, and the longer-term outlook is more positive.


Simon Keswick: 'medium term outlook is for renewed growth'

Mr Simon Keswick, chairman, said: "While property earnings for the full year are expected to remain flat, in part due to the loss of rental income from Nine Queen's Road Central in the second half, the medium-term outlook is for renewed growth as reversions come through to profits."

The company has diversified from its exclusive role as core Central landlord, by taking the largest single stake in a consortium to build Container Terminal 9. However, the project continues to face political opposition from China. It has also purchased a 25.3 per cent shareholding in UK-listed Trafalgar House.

● Jardine International Motor Holdings (JIMH), the motor trading arm of Hong Kong's Jardine Matheson group, yesterday announced a 21 per cent rise in first-half net profit to US$35.8m, up from US$29.7m a year earlier.

Profits growth was struck on marginally higher turnover of US$462.4m. The Hong Kong operations, which hold the exclusive right to sell Mercedes Benz cars, registered lower earnings, but a stronger second half is expected.

There was a surge in sales of Mercedes into southern China in the first half of the year, through associate company Southern Star, which contributed US$6m, up from US$2.1m in 1992.

"Sales in the first half remained at last year's high level and the company continues to expand its distribution network. Performance in the second half could be affected by the austerity measures recently introduced in China," the company said.

An interim dividend of 1.2 US cents a share is recommended, up from 1.06 cents a year ago.

NEWS DIGEST

Auditors to settle NZ case

PARTNERS in Ernst and Young, the international auditors, have agreed to pay NZ$37.5m (US$20.7m) to settle a long standing case brought by investors in Registered Securities which went bankrupt in 1988, writes Terry Hall in Wellington.

The settlement means that more than 6,000 investors will receive an extra 30 cents in the dollar payment. This will give them around 80 cents for each dollar they had invested.

Registered Securities went out of business owing NZ$97.8m. The auditors reported in April 1988, only three months before the collapse, that the company's accounts had been properly maintained and were in order.

A case against the auditing firm was due to begin next week, seeking NZ$140m in damages. Mr Richard Waddel, spokesman for Ernst and Young, said his firm did not accept liability.

Scandinavia start-up

MR Spencer Maizels, formerly chairman and chief executive of Enskilda Securities, has formed an independent corporate finance firm specialising in the Scandinavian market, writes Norma Cohen.

The new firm is to be called Maizels, Westerberg. Mr Sten Westerberg, a former Swedish finance minister, is a partner of the firm and will head its Stockholm office.

Mr Maizels said he believed there would be considerable demand for the services of an independent corporate finance firm in Scandinavia where rules allowing considerable foreign investment for the first time are just taking effect.

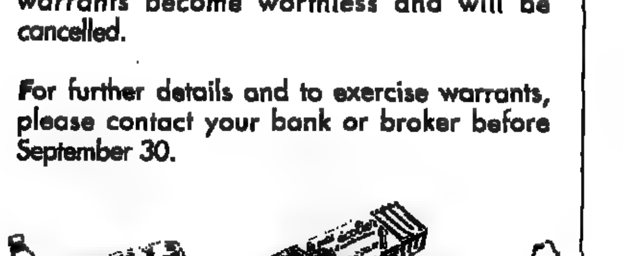
BIL's Cedenco move

BRIERLEY Investments will take a 25 per cent stake in the initial public offering by Cedenco Foods, the New Zealand foods group, AP-DJ reports from Wellington. Announcing the share offer, Cedenco said it plans to raise NZ$25.3m (US$13.9m).

Funds raised will be used primarily to finance an expansion programme, said the company.

Singapore trade plan

STOCK Exchange of Singapore plans to extend trading by one hour from today, Reuter reports from Singapore. It will start trading half an hour earlier for both the morning and afternoon sessions. The latest revision follows a similar extension a year ago.



Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool selling price £/MWh
0030	18.05	18.44	18.44
0100	18.05	18.11	18.11
0130	18.03	18.11	18.11
0200	18.05	18.11	18.11
0230	18.05	18.11	18.11
0300	18.05	18.11	18.11
0330	18.03	18.11	18.11
0400	18.03	18.10	18.10
0430	18.03	18.09	18.09
0500	18.03	18.09	18.09
0530	18.03	18.09	18.09
0600	18.05	18.09	18.09
0630	18.05	18.24	18.24
0700	23.60	22.09	24.53
0730	24.69	[illegible]	26.30
0800	27.37	26.71	28.36
0830	28.05	25.97	28.65
0900	28.13	28.14	31.00
0930	28.16	33.17	36.29
1000	28.16	33.43	35.57
1030	28.19	33.49	35.68
1100	28.20	33.68	36.95
1130	28.23	[illegible]	36.79
1200	31.71	51.84	55.57
1230	31.67	51.19	55.35
1300	28.14	50.35	54.23
1330	25.86	33.00	36.01
1400	25.86	28.08	30.78
1430	25.86	26.78	29.43
1500	25.84	26.71	29.37
1530	25.86	26.67	29.34
1600	25.86	26.73	29.41
1630	33.01	33.16	36.10
1700	34.51	37.84	40.74
1730	34.48	37.53	40.58
1800	34.40	37.28	40.30
1830	27.30	26.47	29.07
1900	27.32	26.08	29.88
1930	36.06	26.05	28.66
2000	36.06	25.61	28.20
2030	34.40	32.98	35.81
2100	32.96	36.01	38.88
2130	25.54	36.01	38.87
2200	24.68	32.97	35.60
2230	24.67	24.74	27.29
2300	23.60	24.66	27.24
2330	20.80	24.12	26.70
2400	18.11	18.07	18.07

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8:30am and 5:15pm Monday to Friday.

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Portugal finds firm demand for $1bn global offer

By Antonia Sharpe in London and Peter Wise in Lisbon

THE Republic of Portugal launched its widely-expected $1bn offering of 10-year global bonds to strong demand yesterday, kicking off what is likely to be an active week in the international bond market.

The market expects the Japanese Development Bank to raise between £150m and £200m today through an issue of seven-year Eurobonds. J. P. Morgan and S. G. Warburg are thought to be arranging the much-rumoured deal, which represents JDB's first foray in the Eurosterling sector since 1988.

JDB's issue is expected to be priced to yield 18-20 basis points above the yield on the underlying UK government bonds. The borrower is believed to want to swap the proceeds into fixed-rate yen.

The Republic of Argentina is expected to tap the D-Mark sector later this week to raise between DM750m and DM1bn through an issue of five-year Eurobonds.

Meanwhile, Corporación Andina De Fomento, the Latin American supranational agency which finances trade and infrastructure, has had a positive response from investors for its planned $100m five-year Eurobond offering. The issue should launched by the end of the week.

INTERNATIONAL BONDS

Portugal's perception among investors as a rapidly-improving credit enabled it to achieve a yield spread for its global bonds of 45 basis points over the 5¾ per cent US Treasury due August 2003.

Joint lead manager Merrill Lynch said this represented the lowest coupon a sovereign borrower has ever paid for 10-year dollar-denominated paper.

At launch, Portugal's bonds yielded around 18 basis points less than Italy's recent issue of dollar global bonds, and some syndicate managers believed that the yield spread between the two issues could narrow in Italy's favour over time.

However, Merrill Lynch pointed out that Portugal's bonds were also yielding less than comparable bonds issued by Sweden and Ireland. This indicated that investors were also willing to pay a premium for Portugal's rarity value.

When the bonds were freed to trade, the spread was unchanged. One-third of the bonds were placed in North America, 10 per cent in Japan, 20 per cent in the rest of the Far East and the remaining 40 per cent in Europe.

Yesterday's global bond issue is the third and final leg of Portugal's drive to re-establish a presence in the international bond market after a five-year absence. Earlier in the year, Portugal tapped the D-Mark and yen sectors of the Euromarket.

Commenting on the bond issue, Mr Jose Braz, Portugal's secretary of state for the treasury said, "This loan affirms our return to the market after several years and helps to publicise the new reality of Portugal where growth is higher than in the rest of the European Community and where we are not troubled by problems of unemployment."

Mr Braz added it was the first time Portugal had made a fixed-rate, re-offer bond placement, which he saw as giving the loan the greatest transparency.

Mr Manuel Pinho, director-general of the treasury, said that Portugal would continue to tap the Euromarket in the future, but with smaller amounts.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Republic of Portugal(a)	1bn	5.75#	99.35R	Oct.2003	0.35R	+45 (5¾%-03)	IBJ Intl./M.Lynch Intl.
Nordic Investment Bank	200	4.375	99.79R	Oct.1996	0.1875R	+22 (4¼%-96)	Mitsubishi Finance Intl.
Swedbank(b)‡	150	(b)	99.375R	undated	1.00R	-	JP Morgan Securities
Kansallis-Osake-Pankki‡	100	(c)	100	Oct.1996	0.15	-	Fuji Intl. Finance
Banco de Boston(d)	70	8#	99.947R	Oct.2001	1.00	+383(4¼%-96)	Salomon Brothers Intl.
D-MARKS							
Hamburgische Landesbank(e)	150	6.25	101.75	Oct.2003	2.5	-	Trinkaus & Burkhardt
FRENCH FRANCS							
Caisse Nationale des Autoroutes	2.5bn	6.25	99.34R	Oct.2005	0.35R	+16 (8¼%-04)	Crédit Lyonnais
YEN							
All Nippon Airways Co.(f)	30bn	4.50	100.275R	Sep.2001	0.325R	-	Nomura International
All Nippon Airways Co.(g)	20bn	4.40	100.225R	Dec.2000	0.30R	-	Nikko Europe
GUILDERS							
Rabobank Nederland	500	6.125	100.10R	Oct.2001	0.25R	+17 (8¾%-01)	Rabobank Nederland
ECUS							
Kingdom of Sweden	500	5.75	98.88R	Oct.1998	0.25R	-8 (7¼%-98)	Paribas Capital Markets
CANADIAN DOLLARS							
Toronto Dominion Bk.(Gd.Cay.)‡	100	(h)	99.50R	Oct.2003	0.60R	-	Kidder Peabody Intl.
AUSTRALIAN DOLLARS							
National Australia Bank	100	6.50	101.54	Nov.1998	2	-	Barclays de Zoete Wedd

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Global issue. b) Coupon pays 6-month Libor +1.75% for 1st 5 years and +3.4% thereafter. Callable at par on any interest payment date from Oct.1998. c) Coupon pays 3-month Libor + 0.425%. d) Callable and puttable on 11/10/96 at par. e) Convertible into FRN on 21/10/96 or 21/10/97 with coupon of 6-month Libor + 0.05% and 21/10/2008 maturity. f) Short 1st & 2nd coupons. g) Short 1st coupon. h) Coupon pays 3-month BA's - 0.5%; minimum 6¾%, maximum 9%.

Paper glut to hit Ecu bond market

By Tracy Corrigan

AFTER a year of famine, the Ecu bond market is now threatened by a glut of paper.

Sweden yesterday launched an Ecu500m issue of five-year bonds, bringing the supply of new paper to more than Ecu1bn in the last week. In addition, the French government announced details of a Ecu1bn-Ecu1.2bn auction of 10-year OATs next week, while the Italian government is holding a domestic Ecu bond auction this week.

The fragile recovery of the Ecu bond market could be in jeopardy, according to some analysts. Yesterday, Barclays de Zoete Wedd's European bond strategists downgraded Ecu to an "underweight" recommendation, saying that the market has outperformed most other European markets but is now looking expensive.

Ecu bonds are currently yielding around 20 basis points less than their theoretical, basket-currency value, having recovered substantial ground following the widening of exchange rate mechanism bands in August.

"At this level, we think the market is beginning to look expensive ... There is no reason to hold [Ecu] at all as better value can be had through its constituent parts," said Mr Mark Capleton, a BZW strategist. The sudden burst of new issue activity was prompted by the short supply of current coupon paper – bonds which are priced around their par value. As a result of the recent bond market rally, older bonds with higher coupons are now trading at a substantial premium to their par value, which deters some investors.

Demand for par-priced paper has been used as a justification for pricing weaker credits to yield less than benchmark French government bonds.

While the first in the series of deals, the Council of Europe's Ecu150m eight-year deal via Goldman and UBS, caught the swell of demand perfectly, subsequent deals have proved harder to sell.

Some analysts said that Sweden's Ecu500m five-year deal via Paribas Capital Markets, priced yesterday at eight basis points through the comparable BTAN issue, was too aggressive.

However, other dealers said that the pricing was fair, although current coupon levels, below 6 per cent for five-year bonds, are unattractive for some investors.

"It is a positive sign for the market that there is new issuance, without any sign of moving closer to monetary union," said Mr Jonathan Davies, an analyst at UBS.

Nevertheless, it remains to be seen how the market will hold up under the weight of further supply, which includes a potential European Community offering.

Late rally in French sector spurred by futures trading

By Conner Middelmann in London and Patrick Harverson in New York

IN THE absence of significant market-moving news or investor flows, most bond markets continued their sideways drift yesterday.

■ FRENCH government bonds put on the strongest performance, surprising many market participants with a ½-point rally in the afternoon. While some traders reported buying by futures funds and Far-Eastern investors, most of the rally was attributed to technical trading in the futures pits.

GOVERNMENT BONDS

Ironically, some dealers say prices were supported by the Bank of France's decision to leave its repo rate unchanged at 6.75 per cent, keeping hopes alive for an easing at the next repo operation on Thursday. But Mr Steven Major, senior European bond analyst with Crédit Lyonnais, said he does not expect an easing before next week at the earliest, with the central bank intent on rebuilding its foreign currency reserves before cutting rates.

Spanish bonds were the other strong performer, gaining nearly ½ point in largely technical trading. Spanish bonds' high yields also attracted some retail buying, traders said.

■ UK gilts slipped about ⅛ point in slow trade before today's bond auction announcement. Traders expect the Bank of England to announce some £3bn of new benchmark stock for 2004 with a coupon of between 7 per cent and 7¾ per cent.

Since last week's gilts sell-off, overseas investors have been keeping their distance from the gilts market, unnerved by the prospect of rising inflation as well as political jitters which threaten to pressure the currency.

■ CONTRARY to expectations, the Bundesbank didn't release its keenly-awaited August M3 money supply numbers, leaving German bonds to drift in a narrow range. Uncertainty over the likely M3 rate, with growth forecasts ranging between less than 6 per cent to more than 8 per cent, subdued activity and held volume in check. The numbers are likely to be published today.

Keeping bunds underpinned are expectations of lower inflation numbers for September. Germany's four largest western states are expected to publish their consumer price data late this week or early next week. The preliminary rate is widely expected to be unchanged on the month and down slightly on the year after 4.2 per cent in August.

■ BELGIAN bonds shrugged off the ¼-point cuts in the Belgian central bank's end-of-day rate to 11¼ per cent and its central rate to 9¾ per cent, and ended little changed. Thursday's bond auction will show whether investor sentiment towards Belgium has improved since the last two auctions, which were "relatively badly subscribed," said a trader.

■ US TREASURY prices were mixed but little changed in light trading yesterday morning as investors stayed on the sidelines at the start of what could be an interesting week.

By midday the benchmark 30-year government bond was down ⅛ at 102[illegible], yielding 6.047 per cent. At the short end of the market, the two-year note was slightly firmer, up $\frac{1}{32}$ at 100, to yield 3.857 per cent.

The absence of economic news or a lead from trading overseas meant the bond market opened in a subdued mood. Dealers said investors were staying out of the market, and were waiting to see how this week's developments – the Federal Reserve's Market Open Committee meeting, the official release of President Clinton's healthcare reform plan, and the auctions of $27bn in two-year and five-year notes – affect prices.

FT FIXED INTEREST INDICES

	Sep 20	Sep 17	Sep 16	Sep 15	Sep 14	Year ago	High *	Low *
Govt.Secs.(UK)	101.57	101.51	101.33	101.45	102.34	89.20	102.88	93.28
Fixed Interest	123.01	122.85	123.07	124.05	124.62	104.60	125.20	109.57

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Sep 17	Sep 16	Sep 15	Sep 14	Sep 13
Gilt Edged Bargains	113.4	117.5	200.5	132.4	93.7
5-Day average	131.5	126.6	129.1	115.0	107.6

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	119.5418	-0.093	6.76	6.61	6.84
BELGIUM		9.000	03/03	112.4000	+0.010	7.15	7.11	7.11
CANADA *		7.500	12/03	103.3450	-0.405	7.03	6.73	6.96
DENMARK		8.000	05/03	108.3500	+0.300	6.79	6.80	6.72
FRANCE	BTAN	8.750	11/98	100.5318	+0.175	5.62	5.60	5.73
	OAT	8.750	10/03	105.1700	+0.520	6.05	6.11	6.33
GERMANY		6.500	07/03	103.0400	+0.115	6.08	6.14	6.32
ITALY		10.000	08/03	104.0850	+0.030	9.57†	9.48	10.23
JAPAN	No 119	4.800	06/99	105.9444	-0.002	3.56	3.67	3.91
	No 157	4.500	06/03	103.1456	-0.073	4.05	4.10	4.27
NETHERLANDS		7.000	02/03	107.3000	+0.180	5.95	6.00	6.18
SPAIN		10.900	08/03	111.1000	+0.560	9.13	9.09	9.40
UK GILTS		7.250	03/98	103-07	+1/32	6.42	6.24	6.39
		8.000	06/03	108-25	-6/32	7.02	6.77	6.95
		9.000	10/08	115-04	-	7.53	7.11	7.34
US TREASURY *		5.750	08/03	102-25	-1/32	5.38	5.24	5.59
		6.250	08/23	102-23	-	6.05	5.95	6.20
ECU (French Govt)		8.000	04/03	109.8700	+0.170	6.67	6.66	6.85

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Taiwan's central bank faces leak allegations

CENTRAL Bank of China, Taiwan's central bank, has been accused of leaking information to five government-owned banks, allowing them to profit from insider bond trading, AP-DJ reports from Taipei.

Hsu Tien-tsai, a legislator of the opposition Democratic Progressive Party, said the Central Bank should be held responsible. Mr Samuel Shieh, Central Bank governor, admitted the five banks were informed of cuts in reserve requirements hours before changes were announced on September 16.

But Mr Shieh argued that the officials were advised in advance because he wanted them to cut prime lending rates following the Central Bank move.

The Central Bank's reductions in reserve requirements, ranging from 0.75 percentage point to one full percentage point, applied to current accounts and other main deposits. The cuts sent the bond market into high gear on Friday, with 42 institutions offering bids totalling T$623.4bn for government bonds worth T$30bn.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on September 20

U.S. DOLLAR STRAIGHTS | OTHER STRAIGHTS | DEUTSCHE MARK STRAIGHTS | FLOATING RATE NOTES | SWISS FRANC STRAIGHTS | CONVERTIBLE BONDS | YEN STRAIGHTS

[illegible]

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RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	20	46	12
Other Fixed Interest	3	0	12
Commercial, Industrial	330	286	904
Financial & Property	121	136	564
Oil & Gas	18	23	40
Plantations	0	1	7
Mines	34	46	55
Others	46	45	38
Totals	569	561	1,632

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
17	Nil	29/9	1½pm	1pm	[illegible]	1pm	
21	Nil	22/9	19pm	11pm	Arlen	19pm	
Ir280	Nil	20/10	31pm	27pm	CRH	27pm	
400	Nil	01/10	66pm	52pm	Cadbury Schweppes	58½pm	-½
125	Nil	22/9	30pm	15pm	Lilleshall	16pm	
225	Nil	28/10	58pm	51pm	Quarto	58pm	
130	Nil	25/10	19pm	8pm	Rolls Royce	11½pm	-2
19	Nil	12/10	3pm	¾pm	Usborne	¾pm	
68	Nil	13/10	18pm	7pm	Wickes	15pm	+1

pm Price at a premium. For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Sept. 13
- Last Dealings Sept. 24
- Last Declarations Dec. 9
- For settlement Dec. 20

3-month call rate indications are shown in Saturday editions.

Calls: Amstrad, Argyll, BM Group, Cluff Res., Elliott (B.), Ferranti, Kewill Systems, Monument Oil & Gas, Pacer Systems, Phonelink and TR Tecnology. Put: Pizza Express. Put & Call: Burton.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

[illegible]

September 20 Total Contracts 19,071
Calls 10,187 Puts 8,884
FT-SE Index Calls 3,035 Puts 4,303
Euro FT-SE Calls 782 Puts 845
*Underlying security price. † Long dated expiry months.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Mon Sep 20	Day's change %	Fri Sep 17	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	128.46	+0.03	128.78	2.01	8.25
2	5-15 years (23)	164.28	-0.08	164.66	1.82	10.12
3	Over 15 years (9)	173.89	-0.14	174.14	0.88	9.70
4	Irredeemables (6)	206.01	+0.86	203.87	3.02	8.83
5	All stocks (62)	150.17	-0.05	150.50	1.60	9.50
	Index-Linked					
6	Up to 5 years (2)	186.58	-0.03	187.51	-0.13	4.28
7	Over 5 years (11)	183.25	-0.08	183.41	0.64	3.89
8	All stocks (13)	182.79	-0.08	182.93	0.55	3.92
9	Debs & Loans (66)	142.67	+0.46	142.46	2.15	8.23

AVERAGE GROSS REDEMPTION YIELDS

			Mon Sep 20	Fri Sep 17	Year ago (approx.)
	British Government				
1	Low	5 years	6.36	6.37	8.28
2	Coupons	15 years	7.19	7.18	8.78
3	(0%-7¾%)	20 years	7.29	7.39	8.94
4	Medium	5 years	6.83	6.83	8.90
5	Coupons	15 years	7.31	7.29	9.25
6	(8%-10¾%)	20 years	7.36	7.34	9.28
7	High	5 years	6.82	6.82	9.23
8	Coupons	15 years	7.55	7.53	9.42
9	(11%-)	20 years	7.57	7.54	9.42
10	Irredeemables(Flat Yield)		7.40	7.44	9.32
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.59	2.57	4.02
12	Inflation rate 5%	Over 5 yrs.	3.21	3.21	4.55
13	Inflation rate 10%	Up to 5 yrs.	1.75	1.73	3.21
14	Inflation rate 10%	Over 5 yrs.	3.03	3.02	4.37
15	Debs &	5 years	7.93	7.93	10.33
16	Loans	15 years	8.19	8.22	10.49
17		25 years	8.31	8.36	10.49

Housing side feels effects of limited recovery, reports Paul Taylor

Bryant falls slightly to £18m

BRYANT GROUP, the West Midlands-based housebuilding, property and construction company, yesterday reported a small decline in full-year pre-tax profits reflecting higher interest costs and the losses of associated companies.

Pre-tax profits in the 12 months to May 31 fell to £18.3m (£20.3m) on turnover which slipped by 4 per cent to £309.7m (£322.9m).

Profits were held back by a £1.6m loss (£400,000 profit) by associated undertakings after property provisions of nearly £2m. Interest costs increased to £2.7m (£1.5m) reflecting the then high interest rates associated with the group's £13.5m of borrowings in Ireland.

Earnings per share fell to 4.9p (5.5p), just sufficient to cover the unchanged total dividend of 4.8p per share including a final payment of 3.4p.

Mr Colin Hope, chairman, said the group had faced difficult trading conditions during most of the financial year and that all divisions had experienced pressure on prices.

He said: "The limited recovery in the economy has had a positive impact on the group's housing operations, but so far has not significantly benefited our construction or property activities." Turnover, but not operating margins, increased by more than 20 per cent in the second half, he added.

Tony Andrews

Andrew MacKenzie: signs of pressure on land prices in the south

Operating profits rose to £22.6m (£21.4m) and margins, helped by an improved contribution from the construction division, widened from 6.6 per cent to 7.3 per cent.

The core housebuilding operations, which are being expanded, lifted operating profits to £17.4m (£15.6m) on increased turnover of £224.3m (£196.6m).

House completions rose by 21 per cent to a record 2,815 at a reduced average price of £83,000 (£86,000), but Mr Andrew MacKenzie, chief executive, said prices "bottomed out" in the spring.

At the year end, Bryant and associates had a land bank of just under 10,000 plots. Last year, the group spent £70m on land purchases and it plans to spend more this year, but Mr MacKenzie warned that there were already signs of "some pressure" on land prices, particularly in the south.

Meanwhile the construction division reported sharply lower turnover of £65.4m (£100.5m) reflecting a determination to avoid negative margin tendering. However, profits rose to £5.9m (£4.6m) and the forward orders stand at £60m (£40m).

COMMENT

Bryant builds quality houses, and volumes should continue to rise as the recovery takes hold. Of more concern, however, are the reports of land price pressures. These could limit margin gains as Bryant attempts to broaden its regional housebuilding activities and expand its relatively short land bank outside the Midlands.

Nevertheless Bryant has an ungeared balance sheet and is a well-managed group heading in the right direction. Pre-tax profits should reach £29m this year producing earnings of 7.3p and a prospective p/e just above 20. But the stock looks much less expensive against projected pre-tax profits of about £47m and earnings of 11.4p in 1995.

Albert Fisher to spin off Charles Sidney through flotation next month

By Paul Taylor

ALBERT FISHER, the food processing and distribution group, is to spin off Charles Sidney, its Yorkshire-based Mercedes-Benz commercial vehicle and passenger car dealer, through a full stock market flotation next month.

The move is the latest step taken by Mr Stephen Walls, Albert Fisher's new chairman, to refocus the group on its core activities – the processing and distribution of fruit, vegetables and seafood.

It also represents an opportune time to launch a new publicly quoted vehicle group since the luxury car market is now showing signs of recovery, and the motor dealers' share prices have been buoyant over the past year.

Charles Sidney was one of the first post-war dealerships established in Britain by Mercedes-Benz in 1953. Since then the group has become one of the largest distributors of Mercedes-Benz vehicles in Britain and had estimated sales in the year to August 31 of about £55m (£41m).

The group holds the Mercedes-Benz franchises in Bradford and South Yorkshire (Sheffield and Doncaster). It operates Mercedes-Benz commercial vehicle dealerships in Bradford and Sheffield – trading under the name Northside Trucks – passenger car dealerships in Bradford and Doncaster, together with after sales servicing, parts and repair facilities.

Northside Trucks also includes a rentals division with a fleet of 400 commercial vehicles.

In 1992, 40 per cent of turnover came from new and used commercial vehicle sales, 40 per cent from new and used car sales and 20 per cent from servicing, spare parts and commercial vehicle body building. Vehicle sales in the latest year were split evenly between commercial vehicles and passenger cars.

Mr Raymond Edwards, Albert Fisher's director responsible for the European food processing division including Charles Sidney, will leave the group to become Charles Sidney's executive chairman.

Mr Edwards joined Albert Fisher when it acquired Northside Trucks in 1983.

ICI sells Victrex to management

Imperial Chemical Industries has agreed in principle to sell its Victrex polyetheretherketone (peek) business, based at Hillhouse, Lancashire, to a management buy-out backed by a consortium of financial institutions led by CVC Capital Partners.

Victrex is involved in high temperature, high performance plastics sold into the automotive, aerospace, industrial and electronics industries. The value of the transaction represents less than one per cent of ICI's net assets.

Two Aitken Hume directors under threat

By Andrew Jack

TWO DIRECTORS of Aitken Hume International, the banking group, may face removal from the board following criticism over the weekend by Hong Kong regulators of Allied Group, one of its largest shareholders.

Mr Lee Ming Tee, Allied's chairman and a major shareholder, and Mr Brian O'Connor, a director, will face scrutiny following a critical report into the operations of Allied.

Mr Bill Brown, a director of Aitken Hume and non-executive chairman of Aitken Hume Bank, a subsidiary, said yesterday: "As a member of the board I am interested to see the affairs of the company are conducted in a fit and proper manner. If they are censured it is a matter of great concern to us."

Mr Lee and Mr O'Connor are mentioned in a report from an inspector appointed to examine Allied's affairs by the Financial Secretary of Hong Kong published on Saturday. Allied was also raided by 300 police last week.

Both men sit on the board of Aitken Hume, reflecting Allied's substantial stake, which is reported in the Aitken accounts for the 12 months to March 31 last year as 30.3 per cent. The shares are held through Menston Investments, a subsidiary.

The Bank of England refused to comment yesterday. But it has regulatory powers to debar directors of banks on grounds including competence, integrity and skills as well as criminality.

Mr Brown said that there were no financial links between Aitken Hume and Allied, and that Aitken Hume had not had any contact with the investigations in Hong Kong.

Mr Lee is a Malaysian-born Chinese entrepreneur who owns a string of companies through the Allied Group.

Mr O'Connor is mentioned in the Hong Kong report as chairman of Crestacare, which had a share placing in 1992 underwritten by Asia Securities, owned by Allied.

Smiths wins contract for F-22 power controllers

By Daniel Green

SMITHS INDUSTRIES has won a contract to develop the power controllers on the F-22, the next generation fighter aircraft for the US Air Force.

The deal, understood to be worth about $10m, could lead to a production contract worth $150m, several times that amount.

It is the latest in a series of avionics development contracts that could bring in more than £50m a year by the end of the decade if they result in production deals, said Mr Norman Barber, chairman of Smiths' aerospace division, yesterday.

The shares rose 5p to 368p.

The company beat two US rivals to the contract, Rocketdyne, part of Rockwell International, and Sunstrand of Illinois.

The contract follows deals to design similar controllers for the McDonnell-Douglas Apache attack helicopter, Boeing's new 777 airliner and the European Fighter Aircraft, being developed by a consortium of European aerospace companies.

The first two could move into production in the next year or two.

The programme for the Boeing 777 has been particularly successful. A controller, originally designed to run four subsystems, will be installed to run 54. Each 777 will contain Smith's equipment worth more than $400,000.

Mr Barber said that the F-22 contract was unlikely to lead to new jobs but would help preserve existing skills.

The $87bn F-22 fighter programme is a survivor of the Clinton administration's defence review last month. The aircraft is designed to replace the F-15 and is two-thirds owned by Lockheed with Boeing holding the remainder.

The equipment for the F-22 is a computerised controller for various mechanical, hydraulic and electronic systems on the aircraft. It will be worth about $250m an aircraft, but this could rise if its size is increased as with the 777 version.

Lockheed plans to produce more than 600 F-22s.

Mr Barber said: "With this bridgehead into the F-22, we can bid for other power management systems."

The power distribution centres are the first use in tactical fighters of 270-volt direct current distribution through programmable switching technology.

The contract is the first Smiths will meet through its US operations based in New Jersey and Florida. Previous contracts have been met out of UK sites.

Geevor revival plan gets boost after rights oversubscribed

By David Lascelles, Resources Editor

THE PLAN to revive Geevor, the tin mining company, as a coal mining concern received a boost yesterday when a £1.75m rights issue was 50 per cent oversubscribed. The new company is being led by Mr Malcolm Edwards, the former commercial director of British Coal, to run pits no longer wanted by the state-owned company.

The placing and rights issue, underwritten by Guinness Mahon, paves the way for a reconstruction of Geevor and a settlement with its creditors who will convert debt into shares.

The new group will include UK Consolidated Mining, which owns a lease on Cwmgwili, an anthracite mine in South Wales. The company is being acquired through an issue of £2m of shares. Mr Edwards will also reverse his own company, Coal Investments, into Geevor, and take over as group executive chairman. Coal Investments has the tender rights for five British Coal mines.

Geevor, whose shares have been suspended for 18 months, will now regain its listing and be renamed Coal Investments plc. Details are to be approved at an EGM around October 20.

The proceeds of the rights issue will be used mainly to redevelop Cwmgwili. If Coal Investments succeeds in its bid for British Coal pits it will probably return to the shareholders for more money, Mr Edwards said yesterday. British Coal is expected to announce the results of the tender in the coming weeks.

Mr Edwards said he was confident that it would be possible to create a successful coal business in the UK despite the recent upheavals.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aeda Property	int	0.7†	Nov 4	0.65	-	2.1
Bankers Inv Tst	int	0.9☆	Nov 30	0.86	-	3.44
Benrose	int	4.3†	Nov 13	4.3	-	11.75
Bryant	fin	3.4	Dec 3	3.4	4.8	4.8
Canning (W)	int	2.94	Dec 1	2.94	-	7.29
Close Bros	fin	7.8	Oct 29	6.5	11	9.5
Community Hosp	fin	4.5	Nov 30	4.1	6.9	6.5
Dinkie Heel	int	0.5	Dec 31	0.35	-	0.95
Edinburgh Fund	int	6	Nov 5	5	-	13.5
Elswick	int	0.15	Nov 18	0.15	-	0.3
Jenners	int	32	Nov 19	25	-	55
MAI	fin	4.9	Nov 16	4.5	6.9	6
Meggitt	int	1.3	Dec 10	1.25	-	3.78
Morgan Crucible	int	5.75	Jan 6	5.75	-	12.6
Refuge	int	10.35	Dec 3	9.6	-	31.5
Trafford Park	fin	1.95	Nov 12	1.725	2.8	2.575

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆ Third interim.

COMPANY NEWS: UK

Interest charge hits Community Hospitals

By Catherine Milton

A RECESSION-hit first half and a £1.89m rise in annual interest charges cut pre-tax profits at Community Hospitals Group, the private medical care company, to £6.06m for the year ended June 30, compared with £6.75m.

With profit growth resuming in the second half, the board proposed an increased final dividend of 4.5p (4.1p) giving a total for the year of 6.9p (6.5p).

Earnings per share fell to 14.3p (16p).

"We in the last two years have spent £40m ... those assets now are beginning to punch their weight. We have started this year ahead of expectations in both divisions and we believe we are now in a period of sustained growth," said Mr Alan Dexter, chief executive.

Alan Dexter: now in a period of sustained growth

Turnover rose to £49.5m (£42.1m) and operating profits were up to £7.96m (£6.84m). "It was a year of two halves," Mr Dexter said. "In the second half turnover rose 17 per cent and operating profits were up 24 per cent compared with the same period last year."

He said the company's 10 hospitals with 450 beds had suffered from recession in the first half as private health insurance, which covers 85 per cent of the company's customers, felt the increase in liquidations and bankruptcies.

The cost of two "major hospital developments" had lifted interest charges while slower-than-expected start-up phases held back revenue.

The hospital division contributed £6.2m (£5.65m) to operating profits on turnover of £40.8m (£36.1m).

The company's continuing care division, mainly its 11 private nursing homes with 554 beds, contributed 22 per cent (17 per cent) to operating profits, or £1.76m, on turnover of £8.6m (£6m).

The implementation of the Community Care Act in April had caused a "brief hiatus" but the company had not seen any "material impact" on its occupancy.

The division benefited from the £4.8m acquisition of three nursing homes in January.

The company plans to operate 727 beds by the end of next June and hopes eventually to balance the profits contribution of the two divisions.

Interest charges rose to £1.9m compared with just £4,000 in the previous year after a rights issue.

The higher charge also reflected a fall in capitalised interest to £700,000 (£1.6m).

Net borrowings rose to £37m (£32m) and gearing is 53 per cent (33 per cent).

Weaker Europe restrains Canning

By Nigel Clark

W CANNING, the speciality chemicals and electronic components distributor, reported a fall in interim pre-tax profits from £3.02m to £1.83m, after an exceptional charge of £942,000 relating to the sale of an offshoot.

Turnover for the six months to June 30 fell to £56.2m (£59.1m).

The Birmingham-based company said that there had been a modest increase in demand in the UK but continental Europe, where a high proportion of sales are generated, continued to be weak.

As a result of further cost cutting and action to increase market share, profits in the period were higher than in the second half of the previous year. The performance of the electronics division was particularly encouraging.

Gearing fell over the period from 63 per cent to 38 per cent. However, this was expected to rise in the rest of the year due to seasonal factors.

On prospects Mr David Probert, chairman, said he could see few signs of improvement in the group's markets. The cost cutting carried out, however, should help profits in the second half.

Earnings per share came out at 2.1p (5.9p). The interim dividend is held at 2.94p.

Edinburgh Fund doubled to £3.72m midway

By Philip Coggan, Personal Finance Editor

EDINBURGH Fund Managers produced a 20 per cent increase in its interim dividend yesterday, after a first half in which pre-tax profits more than doubled from £1.64m to £3.72m.

Fund management income was £7.17m (£4.47m) and net profit from unit trust trading came to £667,000 (£168,000).

After administrative expenses of £4.66m (£3.31m), operating profits were £3.18m (£1.32m).

Earnings per share under FRS3 were 13.8p, against 5.6p - earnings were originally stated at 6.9p.

The interim dividend is being increased from 5p to 6p.

Funds under management increased from £2.4bn to £3bn between January 31 and July 31, with more than half the increase representing new business.

EFM acquired Target Trust Managers during the period, and one of its investment trusts, EFM Dragon, took over the Drayton Asia Trust.

Investment trusts make up 42 per cent of the group's funds under management, with an equal proportion coming from discretionary funds. The remaining 16 per cent is made up of unit trusts.

The company said "the outlook for the full year looks satisfactory if the present stock market levels are maintained."

Flagstone leisure move with IoW buy

AS A FIRST step towards concentrating on the leisure sector, Flagstone Holdings proposes to buy The Needles Hotel Company from Wembley for £2.6m cash. It also intends to raise £5.48m net through a placing and rights issue which will lead to a Jersey-based investment company holding nearly 30 per cent of the capital.

Needles Hotel owns the pleasure park at Alum Bay and a restaurant complex at Wootton Creek, both on the Isle of Wight.

Flagstone will also procure payment to the vendor of an amount representing half the pre-tax profits earned by the Needles between July 1 and September 30 1993.

To repay bank indebtedness, improve working capital and meet the acquisition, Flagstone is placing 500m shares of 1p with institutional and other investors and offering shareholders a further 92.9m shares at par on the basis of 2-for-3.

Of the placing shares, 219m will be taken by Channel Hotels and Properties, which is controlled by Mr David Kirch. The holding will represent 29.9 per cent of the enlarged capital.

Mr Kirch wishes to participate in leisure-related investments indirectly through his holding in Flagstone, but does not wish to join the board.

The proposals are subject to shareholder approval on October 11. Share dealings have been suspended until then.

DCC raises Flogas stake to 60.1%

DCC, the Dublin-based private industrial holding company, has succeeded in its aim to raise its stake in Flogas, the quoted Irish supplier of liquefied petroleum gas, from 29.9 per cent to 60.1 per cent.

At Friday's close of the 325p-a-share offer acceptances had been received in respect of 14.6m shares against the 7.37m shares sought. The excess was eliminated by scaling down the excess acceptances from each shareholder.

Elswick moves ahead 18% as margins improve

By Gerry Rimmer

MARGINS improved at Elswick, the packaging, paper and printing concern, as pre-tax profits expanded by 18 per cent from £1.73m to £2.04m for the six months ended July 31. Turnover rose by 11 per cent to £31.6m, compared with £28.5m.

The directors considered this a satisfactory outcome against the background of "continued difficult trading conditions prevailing on most of our markets."

They added that because of the seasonal nature of some of these markets, profits would continue to be weighted towards the first half of the year. And that progress would be maintained.

Pre-tax surplus for the period was after lower interest of £366,000 (£511,000) and subject to £510,000 (£431,000) tax.

Undiluted earnings per share were 0.74p (0.63p) while the interim dividend is held at 0.15p. The directors stated, however, that they intended the final to represent a larger proportion of the total.

Currency movements help lift Vivat to £1.84m

By Ian Holdsworth

VIVAT Holdings, the Lee Cooper jeans and casual wear manufacturer, has lifted interim profits by 55 per cent with help from favourable currency fluctuations.

The company yesterday reported a pre-tax surplus of £1.84m (£1.2m) for the six months to June 30 on turnover up 8 per cent at £38.33m. At constant exchange rates, however, turnover fell by 7 per cent, while pre-tax profit rose by about 10 per cent.

Mr Christopher Burnett, chairman, said the increase was made against a background of difficult trading, particularly in key western European markets, and was after the inclusion of an above-the-line cost of £500,000, "principally to cover the cost of reorganisation within our French subsidiary."

Earnings per share increased to 2.4p (1.6p). There is no interim dividend but Mr Burnett said he was confident of a final at least equal to last year's 1p per ordinary share.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, September 20, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2393.60	1563.79	952.713	1442.13
Albania	(Lek)	165.30	108.656	68.1376	105.352
Algeria	(Dinar)	29.315	19.1351	11.8684	18.3525
Andorra	(Fr Fr)	8.6225	5.6282	3.4908	5.3974
	(Sp Peseta)	197.55	128.949	79.9797	123.852
Angola	(New Kwanza)	5996.70	3914.3	2427.81	3753.8
Antigua	(E Carr $)	4.1310	2.6964	1.6724	2.5859
Argentina	(Peso)	1.53525	1.002	0.6215	0.961
Aruba	(Florin)	2.7365	1.7875	1.1087	1.7142
Australia	(Aus $)	2.3545	1.5368	0.9532	1.4738
Austria	(Schilling)	17.385	11.3348	7.0300	10.8701
Azores	(Port Escudo)	252.30	164.687	102.146	157.934
Bahamas	(Bahama $)	1.5320	1	0.6202	0.9589
Bahrain	(Dinar)	0.5770	0.3766	0.2336	0.3611
Balearic Is	(Sp Peseta)	197.55	128.949	79.9797	123.682
Bangladesh	(Taka)	60.0310	39.2236	24.3283	37.6156
Barbados	(Barb $)	3.0773	2.0086	1.2458	1.9264
Belgium	(Belg Fr)	52.80	34.53	21.417	33.1142
Belize	(B $)	3.06	1.9973	1.2388	1.9154
Benin	(CFA Fr)	431.125	281.413	174.545	269.875
Bermuda	(Bermudan $)	1.5320	1	0.6202	0.9589
Bhutan	(Ngultrum)	48.00	31.3316	19.4331	30.0469
Bolivia	(Boliviano)	6.6325	4.3293	2.6852	4.1517
Botswana	(Pula)	3.8636	2.5218	1.5641	2.4184
Brazil	(Cruzeiro Real)	151.3875	98.8169	61.2904	94.7652
Brunei	(Brunei $)	2.4480	1.5966	0.9902	1.5311
Bulgaria	(Lev)	39.66	25.8485	16.0325	24.7887
Burkina Faso	(CFA Fr)	431.125	281.413	174.545	269.875
Burma	(Kyat)	9.475	6.1847	3.836	5.9311
Burundi	(Burundi Fr)	364.65	238.022	[illegible]	228.283
Cambodia	(Riel)	5355.00	3495.43	[illegible]	3352.11
Cameroon	(CFA Fr)	431.125	281.413	174.545	269.875
Canada	(Canadian $)	2.0240	1.3211	0.8194	1.2669
Canary Is	(Sp Peseta)	197.55	128.949	79.9797	123.862
Cp. Verde	(CV Escudo)	113.55	74.1187	45.9716	71.0798
Cayman Is	(CI $)	1.3085	0.8486	0.5285	0.814
Cent.Afr. Rep	(CFA Fr)	431.125	281.413	174.545	269.875
Chad	(CFA Fr)	431.125	[illegible]	174.545	269.875
Chile	(Chilean Peso)	622.65	406.43	252.085	389.765
China	(Renminbi Yuan)	8.8670	5.7878	3.5898	5.5505
Colombia	(Col Peso)	[illegible]	810.672	502.374	777.433
CIS $	(Rouble)	0.8618o	0.5624	0.3488	0.5393
		1536.82m	1003.02	622.133	961.89
Comoros	(CFA Fr)	431.125	281.413	174.545	269.875
Congo (Brazz)	(CFA Fr)	431.125	281.413	174.545	269.875
Costa Rica	(Colon)	221.70	144.713	89.757	138.779
Côte d'Ivoire	(CFA Fr)	431.125	281.413	174.545	269.875
Croatia	(Dinar)	8942.55	5980.25	3337.06	5159.56
Cuba	(Cuban Peso)	1.1598	0.7565	0.4692	0.7255
Cyprus	(Cyprus £)	0.7575	0.4944	0.3066	0.4741
Czech Rep.	(Koruna)	43.658	28.6155	17.7485	27.4422
Denmark	(Danish Krone)	10.1075	6.5975	4.0921	6.327
Djibouti Rep	(Djib Fr)	267.00	174.282	108.097	167.136
Dominica	(E Carib $)	4.1310	2.6964	1.6724	2.5859
Dominican Rep	(D Peso)	19.890	12.983	8.0536	12.4507
Ecuador	(Sucre)	2795.30o	1824.61	1131.7	1749.8
		2985.10n	1950.48	1209.76	1870.48
Egypt	(Egyptian £)	5.1125	3.3371	2.0698	3.2003
El Salvador	(Colon)	13.2855	8.6785	5.3827	8.3226
Equat'l Guinea	(CFA Fr)	431.125	281.413	174.545	269.875
Estonia	(Kroon)	19.8029	12.5255	8.017	12.3656
Ethiopia	(Ethiopian Birr)	7.5685	4.9402	3.0641	4.7377
Falkland Is	(Falk £)	1.00	0.6527	0.4048	0.6259
Faroe Is	(Danish Krone)	10.1075	6.5975	4.0921	6.327
Fiji Is	(Fiji $)	2.2510	1.5045	0.9618	1.4716
Finland	(Markka)	8.8155	5.8195	3.6066	5.5800
France	(Fr)	8.6225	5.6282	3.4908	5.3974
Fr. Cty/Africa	(CFA Fr)	431.125	281.413	174.545	269.875
Fr. Guiana	(Local Fr)	8.6225	5.6282	3.4908	5.3974
Fr. Pacific Is	(CFP Fr)	152.60	99.2167	61.5264	95.1488
Gabon	(CFA Fr)	431.125	281.413	174.545	269.875

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	14.1830	9.2578	5.7421	8.8762
Germany	(D-Mark)	2.4700	1.6122	1	1.5461
Ghana	(Cedi)	1005.00	656.005	[illegible]	629.108
Gibraltar	(Gib £)	1.00	0.6527	0.4048	0.6259
Greece	(Drachma)	355.825	232.282	144.059	222.739
Greenland	(Danish Krone)	10.1075	6.5975	4.0921	6.327
Grenada	(E Carr $)	4.1310	2.6964	1.6724	2.5859
Guadeloupe	(Local Fr)	8.6225	5.6282	3.4908	5.3974
Guam	(US $)	1.5320	1	0.6202	0.9589
Guatemala	(Quetzal)	8.9090	5.8152	3.6068	5.5766
Guinea	(Fr)	[illegible]	811.227	503.158	777.885
Guinea-Bissau	(Peso)	7650.00	4993.47	3097.17	4788.75
Guyana	(Guyanese $)	192.60	125.849	78.0569	120.689
Haiti	(Gourde)	18.380	11.9843	7.4331	11.4929
Honduras	(Lempira)	10.6490	6.951	4.3113	6.666
Hong Kong	(HK $)	11.8530	7.7369	4.7987	7.4197
Hungary	(Forint)	141.95	92.6586	57.4696	88.8575
Iceland	(Icelandic Krona)	106.70	69.6947	42.7936	66.1658
India	(Indian Rupee)	48.00	31.3316	19.4331	30.0469
Indonesia	(Rupiah)	3227.15	2106.49	1306.54	2020.13
Iran	(Rial)	2442.00	1593.99	988.684	1528.84
Iraq	(Iraqi Dinar)	0.4755	0.3103	0.1925	0.2976
Irish Rep	(Punt)	1.0610	0.6925	0.4295	0.6641
Israel	(Shekel)	4.3360	2.8302	1.7554	2.7142
Italy	(Lira)	2391.00	1560.7	968.016	1496.71
Jamaica	(Jamaican $)	38.28	24.9873	15.4656	23.9435
Japan	(Yen)	159.75	104.275	64.6761	100
Jordan	(Jordanian Dinar)	1.0525	0.687	0.4261	0.6588
Kenya	(Kenya Shilling)	99.8325	65.1646	40.418	62.4929
Kiribati	(Australian $)	2.3545	[illegible]	0.9532	1.4738
Korea North	(Won)	3.2895	2.1471	1.3317	2.0591
Korea South	(Won)	1236.55	806.518	501.478	775.388
Kuwait	(Kuwaiti Dinar)	0.45695	0.2983	0.1856	0.287
Laos	(New Kip)	1101.60	719.06	445.992	689.577
Latvia	(Lat)	0.9470	0.6181	0.3834	0.5928
Lebanon	(Lebanese £)	[illegible]	1723.04	1068.7	1652.39
Lesotho	(Maloti)	5.2465	3.4246	[illegible]	3.2841
Liberia	(Liberian $)	1.5320	1	0.6202	0.9589
Libya	(Libyan Dinar)	0.4475	0.2921	0.1811	0.2801
Liechtenstein	(Swiss Fr)	2.1500	1.4033	0.8704	1.3458
Lithuania	(Litas)	6.4975	[illegible]	2.6305	4.0672
Luxembourg	(Lux Fr)	52.90	34.53	[illegible]	33.1142
Macao	(Pataca)	12.2180	7.9751	4.9465	7.6482
Madagascar	(MG Fr)	2787.28	1819.32	1128.42	1744.73
Madeira	(Port Escudo)	252.30	164.687	102.146	157.934
Malawi	(Kwacha)	6.5340	4.265	2.6453	4.0901
Malaysia	(Ringgit)	3.9030	2.5476	1.5801	2.4431
Maldive Is	(Rufiya)	18.3230	11.9595	7.4178	11.4691
Mali Rep	(CFA Fr)	431.125	281.413	174.545	269.875
Malta	(Maltese Lira)	0.5795	0.3782	0.2346	0.3627
Martinique	(Local Fr)	8.6225	5.6282	3.4908	5.3974
Mauritania	(Ouguiya)	174.10	113.642	70.4858	108.983
Mauritius	(Maur Rupee)	26.75	17.4609	10.8299	16.7449
Mexico	(Mexican Peso)	4.7630	3.109	1.9283	[illegible]
Miquelon	(Local Fr)	8.6225	5.6282	3.4908	5.3974
Monaco	(French Fr)	8.6225	5.6282	3.4908	5.3974
Mongolia	(Tugrik)	612.00	399.478	247.773	383.099
Montserrat	(E Carr $)	4.1310	2.6964	1.6724	2.5859
Morocco	(Dirham)	13.6860	8.9334	5.5408	8.5671
Mozambique	(Metical)	6695.40	4370.37	2710.69	4191.17
Namibia	(S A Rand)	[illegible]	3.4246	2.124	3.2841
Nauru Is	(Australian $)	2.3545	1.5368	0.9532	1.4738
Nepal	(Nepalese Rupee)	71.05	46.3772	28.7651	44.4757
Netherlands	(Guilder)	[illegible]	1.8113	1.1234	1.737
N'nd Antilles	(A/Guilder)	2.7365	1.7876	1.1087	1.7142
New Zealand	(NZ $)	2.7740	1.8107	1.123	1.7364
Nicaragua	(Gold Cordoba)	9.4920	6.1958	3.8429	[illegible]
Niger Rep	(CFA Fr)	431.125	281.413	174.545	269.875
Nigeria	(Naira)	45.90	29.9608	18.5828	28.7323
Norway	(Nor. Krone)	10.7700	7.03	4.3603	6.7417
Oman	(Rial Omani)	[illegible]	0.3844	0.2384	0.3687

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	45.610	29.7715	18.4656	28.5508
Panama	(Balboa)	1.5320	1	0.6202	0.9589
Papua New Guinea	(Kina)	1.5065	0.9846	0.6107	0.9442
Paraguay	(Guarani)	2720.35	1775.69	1101.56	1702.69
Peru	(New Sol)	3.2055	2.0923	1.2977	2.0065
Philippines	(Peso)	42.580	27.7937	17.2389	26.6541
Pitcairn Is	(£ Sterling)	1.00	0.6527	0.4048	0.6259
	(NZ $)	2.7740	1.8107	1.123	1.7364
Poland	(Zloty)	[illegible]	19564.8	[illegible]	18762.4
Portugal	(Escudo)	252.30	164.687	102.146	157.934
Puerto Rico	(US $)	1.5320	1	0.6202	0.9589
Qatar	(Riyal)	5.5710	3.6364	2.2554	3.4873
Reunion Is. de la	(F Fr)	8.6225	5.6282	3.4908	5.3974
Romania	(Leu)	1357.20	885.901	549.474	849.577
Rwanda	(Fr)	217.20	141.775	87.9352	135.962
St Christopher	(E Carr $)	4.1310	2.6964	1.6724	2.5859
St Helena	(£)	1.00	[illegible]	0.4048	0.6259
St Lucia	(E Carr $)	4.1310	2.6964	1.6724	2.5859
St Pierre	(French Fr)	8.6225	5.6282	3.4908	5.3974
St Vincent	(E Carr $)	4.1310	2.6964	1.6724	2.5859
San Marino	(Italian Lira)	2391.00	1560.7	968.016	1496.71
Sao Tome	(Dobra)	367.20	239.687	148.664	229.859
Saudi Arabia	(Riyal)	5.7480	3.7526	[illegible]	3.5987
Senegal	(CFA Fr)	431.125	[illegible]	174.545	269.875
Seychelles	(Rupee)	7.7285	5.0453	3.1288	4.8384
Sierra Leone	(Leone)	841.50	549.282	340.688	526.761
Singapore	($)	2.4480	1.5966	0.9902	1.5311
Slovakia	(Koruna)	48.9295	31.9383	19.8096	30.6287
Slovenia	(Tolar)	175.8455	114.782	71.1925	110.076
Solomon Is	($)	4.8665	3.1765	1.9702	3.0463
Somali Rep	(Shilling)	3855.60	2516.71	1560.97	2413.52
South Africa	(Rand)	5.2465c	3.4246	2.124	3.2841
		7.0630g	4.6103	2.8595	4.4212
Spain	(Peseta)	197.55	128.949	79.9797	123.682
Spanish Ports in N Africa	(Sp Peseta)	197.55	128.949	79.9797	123.682
Sri Lanka	(Rupee)	74.45	48.5965	30.1417	46.604
Sudan Rep	(Dinar)	19.890	12.983	8.0526	12.4507
Surinam	(Guilder)	2.7310	1.7826	[illegible]	1.7096
Swaziland	(Lilangeni)	5.2465	3.4246	2.124	3.2841
Sweden	(Krona)	12.3800	8.0679	5.004	7.737
Switzerland	(Fr)	2.1500	1.4033	0.8704	1.3458
Syria	(£)	32.895	21.4719	13.3178	20.5915
Taiwan	($)	41.325	26.9745	16.7307	25.8686
Tanzania	(Shilling)	677.80	442.428	274.413	424.289
Thailand	(Baht)	38.530	25.1501	15.5991	24.1189
Togo Rep	(CFA Fr)	431.125	281.413	174.545	[illegible]
Tonga Is	(Pa Anga)	2.3545	1.5368	0.9532	1.4738
Trinidad/Tobago	($)	8.4455	5.5127	3.4192	5.2866
Tunisia	(Dinar)	1.5355	1.0022	0.6216	0.9611
Turkey	(Lira)	18458.50	12048.6	7473.08	11554.6
Turks & Caicos	(US $)	1.5320	1	0.6202	0.9589
Tuvalu	(Australian $)	2.3545	1.5368	0.9532	1.4738
Uganda	(New Shilling)	1770.15	1155.45	716.66	1108.08
Ukraine	(Karbovanets)	24480.00	15979.1	9910.93	15323.0
U A E	(Dirham)	5.6260	3.6736	2.2785	3.523
United Kingdom	(£)	1.00	0.6527	0.4048	0.6259
United States	(US $)	1.5320	1	0.6202	0.9589
Uruguay	(Peso Uruguayo)	6.2885	4.1047	2.5459	3.9364
Vanuatu	(Vatu)	189.40	123.629	76.6801	118.56
Vatican	(Lira)	2391.00	1560.7	968.016	1496.71
Venezuela	(Bolivar)	148.15	96.7036	59.9797	92.7365
Vietnam	(Dong)	16447.50	10736	6658.91	10295.8
Virgin Is-British	(US $)	1.5320	1	0.6202	0.9589
Virgin Is-US	(US $)	1.5320	1	0.6202	0.9589
Western Samoa	(Tala)	3.9340	2.5678	1.5927	2.4625
Yemen (Rep of)	(Rial)	25.245	16.4784	10.2206	15.8028
Yemen (Rep of)	(Dinar)	0.7050	0.4601	0.2854	0.4413
Yugoslavia	(New Dinar)	0(1)	0	0	0
Zaire Rep	(Zaire)	10576000.0	6903394	4281781	6620344
Zambia	(Kwacha)	605.95	395.529	245.324	379.311
Zimbabwe	($)	9.9220	6.4765	4.017	6.2109

Special Drawing Rights September 17, 1993 United Kingdom [illegible] United States $1.42843 Germany D Mark N/A Japan Yen148.677
European Currency Unit Rates September 20, 1993 United Kingdom £0.773264 United States $1.18392 Germany D Mark 1.91557 Japan Yen123.570

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; (u) Currencies fixed against the US Dollar; (v) Floating rate; $ CIS applies to states in the Rouble Zone. (1) Official Yugoslav rate n/a. Guide rate $1=500m New Dinar
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday, September 20, 1993

COMPANY NEWS: UK

Winterflood makes significant contribution

42% expansion puts Close Bros on £18m

By John Gapper
Banking Editor

CLOSE BROTHERS, the merchant bank, recorded a 42 per cent rise in pre-tax profits to £17.8m, against £12.6m, following its acquisition of Winterflood Securities, which makes markets in the shares of small and medium-sized companies.

Its share price moved up 17p to 430p yesterday.

The acquisition was the largest contributor to a 38 per cent rise in assets to £575m (£417m). But the bank said that other operations had grown, including a 16 per cent rise in asset finance receivables.

The final dividend is 7.8p (6.5p), making a total of 11p (9.5p). Earnings per share rose by 22 per cent to 27.5p (22.5p).

Mr Rod Kent, managing director, said the purchase of Winterflood, largely financed by a £17.3m vendor placing of 5.5m shares, had been successful because there had been strong demand for market-making in small companies.

He said that Winterflood, which contributed £4.2m to profits, had performed "jolly well". However, the bank had also benefitted from the uniformly good performance of its other operations including investment management.

Profitability of the commercial lending division had been rebuilt through both margin and fee income, while treasury deposits had also risen. Development capital had been aided by recent rises in valuations.

Century, the bank's debt factoring business, was said to have had a "satisfactory" year and its consumer finance arm had done well.

The bank's buildings in the City were severely damaged in the Bishopsgate bombing last April. It said this had caused "no measurable financial loss" but had "made life frustrating for City staff".

Mr Kent said the company remained committed to growth both organically and through acquisition. "We are permanently acquisitive, and we always have been," he said.

Higher interest leaves Meggitt down at £10.8m

By David Blackwell

A SHARP rise in interest payments has hit pre-tax profits for the first half at Meggitt, the Dorset-based engineering company.

Interest payable rose from £17,000 to £1.27m following the company's decision to adopt the proposals in FRED 3 and treat its Euro convertible preference shares as debt rather than equity. This left pre-tax profits at £10.8m, down from a previous £11.7m.

However, operating profits edged ahead from £11.45m to £11.81m. Turnover rose from £152.9m to £179.2m.

Mr Ken Coates, executive chairman, said that the group had experienced an excellent first quarter, but the second quarter had slowed down. The recession continued to affect margins in all areas, but acquisitions made last year helped the group to raise its market penetration.

The electronics division, which was the first to be hit by the recession, had seen 11 months of steady but gentle improvement. He did not believe it was clutching at straws to hope for further gains in the sector.

While the group had bucked the trend in the aerospace sector, it was improving its performance through increasing market penetration, not because there was more business around.

The energy division had had a tough time, with new business failing to materialise as quickly as expected. In addition a difficult contract in South America and restructuring costs had cost £1m.

The controls division was doing similar business to last year.

Mr Coates said that by a quirk the second half would see the maturity of several contracts, which should lead to an improved performance.

Earnings per share fell to 3.3p (3.7p). The interim dividend is 1.3p (1.25p). In April, the 17.2 per cent stake of Meggitt held by BTR, the industrial holding company, was placed with investment institutions. Mr Coates said the group welcomed the change to a wider shareholder base.

On July 8, £14.06m of the £17m Euro Convertible Preference Shares were redeemed at the shareholders' request.

Acquisitions boost Bemrose

By Paul Taylor

BEMROSE Corporation, the Derby-based security and promotional printer, reported a 38 per cent increase in interim pre-tax profits yesterday boosted by its recent acquisitions in both the UK and US.

The group, which used the proceeds of a rights issue in March to fund the acquisition of the outstanding 50 per cent of its US joint venture company and the purchase of Barnard and Jackson, UK-based diary publishers, reported pre-tax profits of £2.55m in the 6 months to July 3, up from £1.85m in the year ago period.

Turnover, including £10.3m attributed to acquisitions, increased to £32.6m (£22.7m) while operating profits, including £810,000 from acquisitions, grew to £2.97m (£1.96m). The group's share of profits from Bemrose Yattendon, the US joint venture before its full acquisition in April, added a further £163,000 to profits, compared with £380,000 for the full six months in 1992.

Interest costs increased to £581,000 (£491,000).

Earnings per share rose to 7.86p (6.52p) out of which the group is paying an unchanged interim dividend of 4.3p.

Commenting on the results Mr Rodger Booth, chief executive, said:"The encouraging performance for the first period is continuing into the second half of the year."

The group's core business of security printing at Derby continued to trade well in a difficult market. Although volumes and revenues from bank cheques are down, costs have been reduced and sales of other security products have been increased.

Barnard and Jackson, the new UK purchase, "broadly broke even" although profits from diary sales are predominantly earned in the second half. In the US the expanded group, now the largest supplier to the advertising specialty market, is achieving substantial real growth.

Tony Andrews

Lord Hollick, the youthful-looking head of media and financial services group MAI, is wryly amused when reminded about the chequered past of the independent television franchise which his 61 per cent owned Meridian group has recently begun to serve. "It has been the Bermuda triangle of independent television", he laughs. He is adamant, however, that Meridian – which paid £36m for the south of England license – will not disappear. It is developing a strong regional emphasis within the franchise, encouraging local advertising and programmes, which the Labour peer believes will offset any decline in independent television advertising.

"We are selling some slots three times over", he says.

Two Signet directors get share options at 32.5p

By David Blackwell

SIGNET GROUP, the jewellery retailing group formerly known as Ratners, yesterday granted two of its directors options on 2.45m shares in the company at 32.5p.

Mr James McAdam, executive chairman, has been granted 1.48m options, while Mr Lawrence Cooklin, chief executive of the UK jewellery operations, has been granted 970,000.

The options can be taken up in three to 10 years, only under certain conditions. The group, which earlier this month reported a pre-tax loss of £26.9m for the first half, must have returned to profitability.

In addition the share price, which yesterday closed at 30.75p, must have averaged 60p for a minimum period of three months. At no time during the three months must the price drop below 50p.

If the options were to be exercised at 60p, Mr McAdam, who joined the group in June last year, would make a profit of £405,000. Mr Cooklin, who joined in May this year, would get £267,000.

Signet, which had 293m shares in issue at the end of January, undertook to grant no further options to existing shareholders for 12 months.

Analysts said yesterday that a dilution of 1 per cent would upset nobody. "If they can lift the share price to 60p they deserve every penny they get," said one.

N Atlantic trust reforms capital

By Philip Coggan,
Personal Finance Editor

NORTH Atlantic Smaller Companies Investment Trust is reconstructing its capital in an attempt to cut the discount to assets at which the trust's shares have been trading.

Shareholders will be offered four new ordinary shares and six new units of convertible loan stock (all with a par value of 5p) for every five existing ordinary shares of 10p.

The idea behind the scheme is that the trust will be able to purchase the convertible loan stock whenever it stands at a discount to asset value. These purchases will not only put a "floor" on the discount but will enhance the net asset value of the ordinary shares. Discount on the shares has ranged from 32 per cent in September 1992 to below 17 per cent this month. In January management of the trust moved from Invesco MIM to J O Hambro.

Interim results for the six months to July 31 were also announced. The net asset value per share rose by 16 per cent, from 412p to 479.8p, despite the exercise of warrants which reduced the value by nearly 2 per cent.

Quoted portfolio benefited from the performance of Danka Business Systems and the unquoted from the flotation of Mississippi Valley Bank and the sale of Tracker Network.

After tax there was a net loss of £203,000 (£8,000) or 1.88p (0.075p) per share. The shares rose 6p to 411p yesterday.

Spring Ram brokers replaced

By David Blackwell

SPRING RAM, the bathrooms and kitchens group, has appointed Barclays de Zoete Wedd as its brokers, replacing Panmure Gordon.

Tomorrow, when the interim results are announced, Price Waterhouse is expected to take over the audit from Arthur Andersen. Price Waterhouse will also be presenting the full financial review of Spring Ram arranged by Mr Roger Regan, the new chairman.

In addition Mr Regan will give an operational review of the group. Some unofficial market estimates put the first-half loss as high as £40m.

Tomorrow's results are also expected to spark the departure of Mr Bill Rooney, one of the group's founders and its biggest shareholder with a 16 per cent stake. Mr Rooney lost his job as executive chairman to Mr Regan, who was approached by investment institutions after Spring Ram issued three profit warnings in eight months.

Control Techniques contract

By Andrew Baxter

THE ASSAULT by Control Techniques on the highly-competitive market for the computer controls used on machine tools has received a boost through an important contract from Cincinnati Milacron.

The Wales-based controls and drives concern is to supply a complete control package for a new low-cost machining centre launched last week by Milacron at the EMO machine tool show in Hanover.

The package includes CT's FNC Flexible Numerical Controller, launched last year in an attempt to give the UK a presence in the computer numerical control (CNC) market – which is dominated by GE Fanuc and Siemens.

Control Techniques has supplied the FNC to specialist machine tool builders in the UK, and to overseas suppliers such as the Shanghai Machine Tool Company.

But Milacron is the first "household name" in machine tool terms, to use FNC as the standard control package on its machines. Mr Philip Sewell, managing director of CT's automation side, said the company was in talks with other big machine tool builders.

Milacron's new Arrow machine is aimed at the high-volume, low-cost end of the vertical machining centre market.

First Mortgage Secs

First Mortgage Securities, London-based centralised lender, has completed the first management buy-out in the UK mortgage business.

The deal, which values FMS at £13.7m, was financed by Foreign & Colonial Ventures. F&C has increased its holding in FMS to 65 per cent.

NEWS DIGEST

Interest cut helps Asda Property

A SUBSTANTIAL cut in interest charges from £6.24m to £2.88m helped Asda Property Holdings to raise pre-tax profits by 61 per cent to £2.47m in the first half of 1993, against £1.53m last time.

Earnings per share more than doubled to 2.6p (1.1p), while the interim dividend has been stepped up from 0.65p to 0.7p on capital increased by July's £16.3m rights issue.

Mr Manny Davidson, chairman, said that acquisitions of high-yielding commercial property over the last two years had to date only partially utilised the proceeds from the sale of residential and other low-yielding assets.

Turnover fell from £19.2m to £11.2m; rental income came to £5.82m (£7.12m) and should improve in the second half as the full contribution fromthe recent acquisition to the company's investment portfolio began to flow through, Mr Davidson said.

The company said it has bought 30 predominantly freehold, retail properties for £7.8m, the shops being located in various town centres including Aberdeen, Bournemouth, Newcastle, Salisbury and Shrewsbury. The portfolio currently produces an income of about £1m per annum.

Sentry Farming interim losses grow

Sentry Farming Group reported pre-tax losses up from £286,000 to £309,000 in its seasonally unfavourable first half to June 30.

The company pointed out, however, that interim losses were not indicative of the full year result.

Sentry said that indications from crops harvested were that yields were larger than anticipated and that average prices should be greater than expected, as a result of some forward sales earlier in the year, when prices were higher than at present.

In addition, exchange gains relating to arable aid payments will result in payments being received in the second half, significantly in excess of those provided for in Sentry's 1993 business plans.

Turnover of the USM-quoted company grew from £1.86m to £2.29m. Losses per share were 7.65p (7.14p).

Noble in Lloyd's of London move

Noble & Co, the Edinburgh-based issuing house, is sponsoring a new investment trust to raise up to £30m to support syndicates at the Lloyd's of London insurance market.

Good tourist season boost for Jenners

The benefits of an early and buoyant tourist season, with an added improvement in home market share enabled Jenners Princes Street, the Edinburgh department store, to more than double pre-tax profits from £437,000 to £928,000 in the half year to July 31.

Jenners said the second half had started satisfactorily and a good autumn was expected but with "our usual caution at this important time."

However, the company said it would be "unreasonable to expect the full year to match the improvement in the first half." Turnover grew from £15m to £16.1m. The interim dividend has been raised to 32p (25p).

Midlands Electricity in Portugal

Midlands Electricity is paying £5m for a minority interest in the Enersis group, which owns and operates four mini hydro generating stations in Portugal with an installed capacity of some 30MW in Portugal.

The acquisition is part of a proposed investment in a range of Portuguese hydro electric assets.

Profit rise at Trafford Park

Pre-tax profits at Trafford Park Estates rose from £3.27m to £4.12m, in the year ended June 30 1993.

Turnover however, fell from £11.7m to £10.2m mainly through the absence of property sales.

Within that, rentals rose to £8.72m (£8.51m) despite the increase in vacant available letting space.

A number of development opportunities were being pursued, principally using land already owned by the group.

Earnings per share worked through at 4.34p (3.8p).

The final dividend is 1.95p for a total of 2.8p (2.575p).

Dinkie Heel up sharply to £309,000

Boosted by an increase in export sales, pre-tax profits of Dinkie Heel, the manufacturer of components for the shoe trade, showed a marked increase from £110,000 to £309,000 in the six months to end-June.

The outcome was achieved on turnover up from £3.38m to £3.49m and was helped by improved margins and reductions in fixed overheads. Lower interest rates led to a fall in interest payable to £33,000 (£44,000).

An interim dividend of 0.5p (0.35p) is declared, payable from earnings per share of 1.76p (0.67p). The shares closed up 2p to 26p.

COMMODITIES AND AGRICULTURE

Output cuts seen as nickel price hits crunch point

By Kenneth Gooding, Mining Correspondent

NICKEL PRICES have dropped below $2 a lb for the first time in six years and traders suggest it will not be long before producers make more cuts in output.

Further selling yesterday drove the three-month nickel price down another $81.50 on the London Metal Exchange where the price closed at $4,265 a tonne or $1.94 a lb.

LME stocks are at a record 112,000 tonnes and equivalent to about 18 weeks of consumption, compared with the seven weeks which is the maximum level for comfort. Much of the metal originated in the Commonwealth of Independent States, from where exports increased sharply after a slump in domestic demand and an urgent need for hard currency since the collapse of the former Soviet Union.

According to Mr Jim Lennon, analyst at the Commodities Research Unit consultancy group, the nickel industry is going through a structural change associated with the CIS imports, which totalled an estimated 160,000 to 170,000 tonnes last year in a western market that consumed 620,000 tonnes. He said CIS producers had cut output by about 20 per cent in 1993 so exports were likely to drop to 130,000 tonnes. At present western producers planned to cut back by 10,000 to 15,000 but this would still leave a supply surplus.

Mr Lennon suggested big western producers such as Inco and Falconbridge in Canada were reluctant to cut output because, they had pared costs to the bone by stopping maintenance and investment, to get cash operating costs below $2 a lb. The strength of the US dollar against the Canadian and Australian dollars had also helped the producers.

If they cut production they would lose cash flow, market share (because they have very low stocks) and unit costs would go up again. Also, some producers had signed contracts to collect prices above $3 a lb and some smaller producers had hedged most of their 1993 production. The obvious candidates for cuts were the high-cost ferro-nickel producers in Japan (50,000 tonnes a year collectively) and Larco in Greece (16,000 tonnes).

Aluminium talks planned

A MULTILATERAL meeting is expected to be held in Moscow in the second half of October to discuss the problem of cheap Russian aluminium exports, according to a European Commission official, reports Reuter from Brussels.

Major producers, such as the US, Canada and the EC would attend, he said after talks here on Friday between the commission and Russian officials. "The meeting went well. It showed a renewed willingness for a multilateral solution."

MG sees big future as integrated copper producer

Keneth Gooding on Metallgesellschaft's plans to rejoin the ranks of the world's metal-producing giants

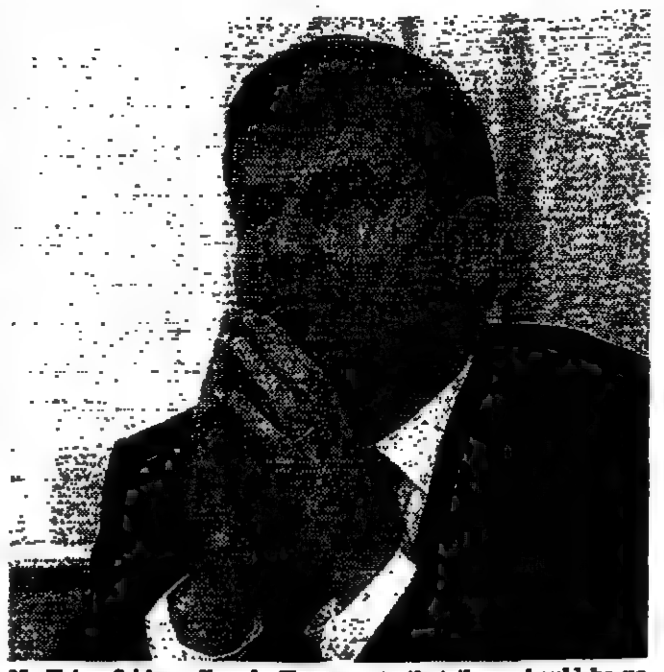
METALLGESELLSCHAFT of Germany is about to take a big leap towards its goal of becoming an integrated, global copper producer. By 1998 it should be producing about 800,000 tonnes of the metal from mines and smelters on three continents. That represents about 9 per cent of present western world annual output.

This is the message Mr Heinz Schimmelbusch has been sending to the rest of the metals industry. As chairman of MG's executive board he set the strategy in motion. It will not be long, he says, before MG will be back among the world's metal-producing giants. Yet only eight years ago its presence in the business had shrunk to the point where it was producing mainly zinc and only in Germany.

MG has chosen to expand mainly in copper because, Mr Schimmelbusch suggests, there should be no shortage of demand as developing countries in Asia, South America and eastern Europe put electric lighting into homes and make improvements to their infrastructure and communications facilities.

But copper companies need their own smelting operations, he says. Shortages of smelting capacity will continue even though a good proportion of new copper mines will produce the metal by solvent extraction-electrowinning technology, which does away with the need for smelting.

The present world recession has only temporarily eased the copper smelting "bottleneck", he insists, and many of the smelters in the Commonwealth of Independent States, which also helped the easing process, will soon shut permanently when the mines that supply them run out of ore.



Mr Heinz Schimmelbusch: He suggests that there should be no shortage of demand as developing countries modernise

In these circumstances, any banker asked to put money into a copper mine first wants to know what arrangements are being made to treat the concentrate, the intermediate material which goes to the smelters. The banks are comforted if the mining company has its own smelting capacity, Mr Schimmelbusch points out.

MG reconsidered its corporate strategy in 1985 and decided to stay in mining and metals production but to build those operations into a global business. The first overt indication of this new approach came two years later when MG put its remaining foreign mining interests into a new company, Metall Mining (MM), based in Toronto, which was quickly floated on the local stock exchange. "It was not really a company," recalls Mr Schimmelbusch, who is also chairman of MM. "It just had a few assets and a plan. We were selling a concept."

MM moved into copper production early in 1989 when it paid about $85m for the Copper Range mining company in White Pine, Michigan, which had an underground mine, smelter and an up-to-date refinery.

More recently MM opportunistically snapped up Minnova, a Canadian mining company, in two bites totalling about US$200m. Minnova's juiciest asset is the Izok Lake project, which has a geological ore reserve of 13.6m tonnes with an average of 14.6 per cent zinc and 2.5 per cent copper. The big drawback is that Izok Lake is in the far north of Canada, 300km north of Yellowknife in the Northwest Territories.

Now MG is proposing that MM should buy its European copper smelting and refining operations, the most important of which is 35 per cent of Norddeutsche Affinerie in Hamburg, one of Europe's largest, operated by MG and described by Mr Schimmelbusch as the most efficient and cleanest in the world. There is also 40 per cent of the Brixlegg secondary (scrap) copper smelter in Austria.

If this deal goes through – it is being carefully vetted by UK merchant bank N.M. Rothschild on MM's behalf – all MG's copper eggs will be in one basket.

Mr Schimmelbusch says the decision to switch the European assets to MM was linked with events at the Copper Range mine. MM has been struggling hard to bring down production costs there – the cash costs were reduced last year from 94 US cents a lb in 1991 to 82 cents. It also needs to spend about $6.5m to bring Copper Range's smelter into compliance with new US air quality standards.

This stimulated some innovative thinking that resulted in a scheme to leach copper out of the pillars left behind to hold up the roof during underground mining. MM reckons there are 200m tonnes of ore containing 4bn lb of copper in the pillars and this summer it was finally concluded that the metal could be removed by *in situ* leaching at very low cost. Various permits have still to be obtained but leach production might start at 40m to 50m lb a year and rise to 90m lb eventually, which would dramatically reduce Copper Range's average production costs.

Leaching consumes large quantities of sulphuric acid, a by-product of copper smelting. The quantities of acid needed would make it worthwhile to enlarge the present smelter at Copper Range or build a new one – the preferred choice, because it would be more efficient and less-polluting. However, it would also necessitate an expansion of the refinery.

Nevertheless, the case for a new larger, cleaner smelter at Copper Range is a strong one, particularly as there are already permits for the site. Norddeutsche in Germany would be able to supply essential operating know-how if it was part of the MM "family" – it would not want to pass on the information to a rival, however.

A formal link between MM and Norddeutsche would also benefit the Hamburg refinery by providing another source of concentrates and an outlet for the sulphuric acid it generates. Finding customers for sulphuric acid is becoming one of the smelting industry's biggest headaches.

Last year MM's copper production, from Copper Range and its minority investments in other companies, was about 109,000 tonnes. In order to reach the 800,000 level quickly it will need more mine capacity. Mr Schimmelbusch says MM does indeed plan to buy a large copper mining project.

He gives no clue as to the location, however, and is equally evasive about another important topic – whether MG's 55 per cent share of a proposed copper smelter in Indonesia will also go to MM – as would seem logical.

Mr Schimmelbusch is convinced a go-ahead will soon be given for the Indonesian smelter, in which Freeport-McMoRan Copper & Gold, owner of the huge Ertsberg/Grasberg mine in the highlands of Iran Jaya, would have a 20 per cent shareholding. He is also convinced that MG would not have won permission for the smelter without being able to show what had been achieved at Norddeutsche in Germany. "Developing countries don't want to compromise, they want the best technology available."

What will be the cost of all this – new smelter, enlarged refinery, new mine and purchase of the European assets – to MM? Mr Schimmelbusch will give no hint. However, Mr Michael Brown, analyst at Toronto stockbroker McLean McCarthy, part of the Deutsche Bank group, says the total could range between C$1.1bn and C$1.3bn. MM might have to find C$600m of new equity towards this.

But MM is well-financed and in a position to finance its expansion, says Mr Brown, particularly if it is willing to sell its 14 per cent stake in MIM, the Australian resources group, which has a present market value of about C$385m.

He also suggests that the issue of MM shares to MG might take the German group's stake from the present 60 per cent to 69 per cent and that MG might sell down some of that holding.

But MG will want to keep control, as Mr Schimmelbusch makes clear. He says: "Metall Mining will continue to be one of our core businesses."

Technical trading pushes cocoa still higher

By Alison Maitland

LONDON COCOA prices yesterday built on last week's strong rise, as buyers pushed the December futures contract to a peak of £922 a tonne.

The spur came from last week's push through the psychological barrier of £900 and the market yesterday was dominated by investment fund buying and technical trading, with no fresh news and cross trades accounting for more than 7,000 lots out of a total of just over 16,000. The second position eased back on profit-taking to close at £917, still up £14 on the day.

The market's recent sharp rise to levels last seen in the summer of 1990 began in mid-August, fuelled by expectations that the next harvest, which starts in October, will bring a shortfall in world supply compared with demand for the third year running.

The rally is attracting buying from financial institutions not usually interested in commodities, according to traders. With interest rates low and profits from traditional areas of activity being squeezed, more fund managers are turning to commodities that still appear relatively cheap, they say.

The weekend agreement by producers and consumers on an orderly disposal of the International Cocoa Organisation's 230,000-tonne buffer stock has also removed a source of uncertainty hanging over the market, analysts said.

The meeting, which ended late on Saturday, agreed the stock would be released on to the market over a maximum of four and a half years, starting in 1993-94. The disposal will take place at a rate of 51,000 tonnes a year, in equal monthly instalments, unless the ICCO council revises that amount at the end of the first year.

The buffer stock was built up under the 1980 and 1986 International Cocoa Agreements as a way to stabilise the market. But its future has been unclear since it was frozen after market support operations collapsed in 1988.

The gradual rundown of the stock will enable producer countries in arrears to pay off their debts.

The start of the new cocoa pact, due at the end of this month when the 1986 agreement expires, has meanwhile been postponed until the end of February because most countries have not yet passed legislation enabling them to sign and ratify it, said an ICCO official.

"We still hope to bring the new agreement into force before that, if we get sufficient signatures," she said.

The last agreement covered 18 producing and 22 consuming countries. The new pact must have membership of at least five exporting countries, representing 80 per cent of exports, and consuming countries accounting for 60 per cent of imports.

So far only the Ivory Coast, which produces just under 35 per cent of the world's cocoa, and Ecuador, producing 4.5 per cent, have signed.

Third world should look to the futures, UN experts

By Frances Williams in Geneva

A STRATEGY to promote commodity futures trading by developing countries to hedge against price fluctuations is being elaborated by the United Nations Conference on Trade and Development.

The aim is to maximise the use of commodity exchanges by buyers and sellers in third world nations to manage risk.

According to Unctad, developing country governments and companies are generally unfamiliar with the real advantages and disadvantages of risk management and with ways of limiting abuse. Moreover, commodity exporters in developing countries often do not have the necessary expertise or internal accounting and monitoring systems to operate effectively in commodity futures markets.

An expert group that met in Geneva last week has come up with a series of proposals for tackling these and other obstacles.

They include easier access to credit for users of risk management instruments, help for companies to develop suitable internal control systems and measures to minimise the impact of exchange controls on the legitimate use of commodity futures markets.

This interest in commodity exchanges is something of a departure for Unctad, which in the past has been the principal sponsor of price-stabilising commodity pacts. However, over the past few years virtually all these accords have collapsed or abandoned market-intervention mechanisms in the wake of steadily sliding prices.

Meanwhile, the pattern of commodities trading has been changing. The group of experts notes that liberalisation and privatisation in developing and former communist countries has increased the role of trading houses, especially for hedging soft commodities.

Hedging against price changes on commodity futures markets cannot influence long-term trends but can help protect commodity-dependent developing countries from unexpected price fluctuations.

Among the specific recommendations of the experts, which they want Unctad to take up, are:

- Action by commodity exchanges and their members to encourage the involvement of buyers and sellers in developing countries;
- Government help to develop local warehouses that can issue warehouse receipts and so provide security for credit lines to finance margin calls on domestic exchanges;
- Other government action to improve the supply of credit for risk management, such as creating suitable institutions or liberalising access to foreign exchange;
- Direct assistance for companies to develop proper internal control systems, in co-operation with commodity exchanges;
- Guidelines to minimise the impact of capital controls on the ability of domestic state and private companies to participate in overseas risk management markets.

WORLD COMMODITIES PRICES

MARKET REPORT

London Metal Exchange **COPPER** trading was less active than on Friday, with the market looking to settle into a new range following the sudden ending of the technical squeeze on supplies that had been propping up nearby values. Prices ended slightly lower. The newly-established cash/three months contango (forward premium) was also fairly stable, fluctuating between $11 and $13 a tonne. The **ZINC** market built on last week's trade-influenced rally and broke above the $900-a-tonne level for three months delivery. Commission house selling and profit-taking was generally absorbed, and final business was at $905 a tonne, up $12. **ALUMINIUM** prices fell back in late trading after running into selling as the three months position approached $1,140 a tonne. The price closed at $1,129.50, down $8.50 from Friday. At the London Commodity Exchange robusta **COFFEE** prices bowed to pressure from the US in the afternoon, with the November contract dropping back to $1,275 at the close, down 19 on the day. Earlier it had peaked at $1,306 a tonne, at which point at least one trader thought the market was "a little overbought".

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Nov)		+ or -
Dubai	$14.36-4.41z	+.375
Brent Blend (dated)	$16.02-6.04	+0.39
Brent Blend (Nov)	$16.50-6.52	+0.37
W.T.I (1 pm est)	$17.75-7.77z	+.455
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$183-185	
Gas Oil	$168-169	+8
Heavy Fuel Oil	$60-62	
Naphtha	$148-149	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$353.80	+1.8
Silver (per troy oz)♣	410.5c	+5.0
Platinum (per troy oz)	$361.50	+1.25
Palladium (per troy oz)	$120.50	-0.5
Copper (US Producer)	87.5c	-1.0
Lead (US Producer)	34.63c	+1.13
Tin (Kuala Lumpur market)	10.87m	-0.27
Tin (New York)	201.5c	-4.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	116.80p	-7.00*
Sheep (live weight)†♣	80.74p	+0.07*
Pigs (live weight)†	65.69p	-2.38*
London daily sugar (raw)	$265.0	+8.4
London daily sugar (white)	$290.0	+2.0
Tate and Lyle export price	£284.5	+6.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£120u	
Wheat (US Dark Northern)	£162.5z	-4.0
Rubber (Oct)¥	58.00p	-0.50
Rubber (Nov)¥	58.25p	-0.50
Rubber (KL RSS No 1 Jul)	208.5p	+2.0
Coconut oil (Philippines)§	$417.5v	
Palm Oil (Malaysian)§	$350.0u	-2.5
Copra (Philippines)§	$290.0	
Soyabeans (US)	£190.5	+1.5
Cotton "A" Index	55.55c	+0.05
Wooltops (64s Super)	326p	+1

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov v-Oct/Nov u-Oct t-Oct/Dec x-Aug/Sep ¥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – LCE ($ per tonne)

White	Close	Previous	High/Low	
Dec	275.40	275.10	276.50	274.20
Mar	277.80	277.80	279.30	276.80
Aug	286.80	285.00	286.50	285.80
Oct	277.80	274.50	278.00	276.00

White 318 (1398) Paris- White (FFr per tonne): Dec 1550.46 Mar 1584.76

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Nov	16.50	16.13	16.54	16.19
Dec	16.75	16.36	16.76	16.44
Jan	16.94	16.59	16.94	16.69
Feb	17.08	16.80	17.08	16.87
Mar	17.25	16.99	17.25	17.10
Apr	17.38	17.10	17.38	17.24
May	17.45	17.20	17.45	17.44
IPE Index	16.07	15.99		

Turnover 25370 (20821)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Oct	164.25	161.00	164.50	161.75
Nov	166.25	163.00	166.50	163.75
Dec	167.50	164.00	167.50	164.50
Jan	168.75	165.75	168.75	166.25
Feb	169.00		169.00	
Mar	167.50	164.50	167.00	165.25
Apr	165.00	162.50	165.00	

Turnover 16225 (9251) lots of 100 tonnes

TEA

Landed a good demand prevailed, reports the Tea Brokers' Association. Coloury medium and selected best liquoring North Indians were firm but plainer sorts eased, particularly pd,S. Medium East Africans were a strong feature while brighter types opened irregularly lower but closed about steady. Dust grades were, however, easier throughout. Ceylons sold readily at last rates. Offshore improved competition, tending dearer. Quotations: quality 200p/kg nom, good medium 125p/kg, medium 113p/kg, low medium 93p/kg and nom the highest price realised this week was 253p/kg for an assam pf.

COCOA – LCE £/tonne

	Close	Previous	High/Low	
Sep	885	875	887	872
Dec	917	903	922	902
Mar	946	933	951	934
May	955	942	959	945
Jul	963	950	966	955
Sep	970	959	975	965
Dec	979	970	981	973
Mar	987	977	991	984
Jul	1000		1004	

Turnover:16147 (16912) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Sep 17 920.10 (914.40) 10 day average for Sep 20 891.57 (884.44)

COFFEE – LCE $/tonne

	Close	Previous	High/Low	
Sep	1341	1352	1364	1340
Nov	1275	1294	1306	1275
Jan	1263	1278	1291	1264
Mar	1253	1262	1271	1255
May	1254	1259	1266	1254

Turnover: 2962 (4904) lots of 5 tonnes

ICO Indicator prices (US cents per pound) for Sep 17 Comp. daily 73.65 (73.30) 15 day average 71.96 (71.74)

POTATOES – LCE £/tonne

	Close	Previous	High/Low	
Apr	87.5	87.2	87.5	86.0
May	99.3	97.5	99.3	

Turnover 83 (197) lots of 20 tonnes.

FREIGHT – LCE $10/index point

	Close	Previous	High/Low	
Oct	1470	1475	1472	1470
Nov	1478	1461	1478	1474
Jan	1470	1460	1470	
BFI	1423	1423		

Turnover 66 (229)

GRAINS – LCE £/tonne

Wheat	Close	Previous	High/Low	
Nov	102.20	102.80	102.60	102.00
Jan	104.55	104.85	104.55	104.15
Mar	106.20	106.75	106.40	105.90
May	108.40		108.60	108.00
Barley	**Close**	**Previous**	**High/Low**	
Nov	102.15		102.15	
May	107.25	108.65	107.25	

Turnover: Wheat454 (108) Barley 15 (50).
Turnover lots of 100 Tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 40,800 lots	
Cash	1113.5-4.5	1119-20		1113-4		
3 months	1133-3.5	1138-39	1137/1130	1132-3	1129-30	242,209 lots
Copper, Grade A ($ per tonne)					Total daily turnover 110,480 lots	
Cash	1754-5	1759-60		1770-2		
3 months	1767-8	1764-65	1780/1763	1778-80	1764-5	178,199 lots
Lead ($ per tonne)					Total daily turnover 5,550 lots	
Cash	373-4	374.5-75.5		369.5-70.5		
3 months	387-8	386.5-89	389/384	384-4.5	386-8	22,722 lots
Nickel ($ per tonne)					Total daily turnover 10,029 lots	
Cash	4210-20	4262-65		4230-1		
3 months	4260-70	4345-48	4335/4260	4260-2	4265-70	45,802 lots
Tin ($ per tonne)					Total daily turnover 2,920 lots	
Cash	4325-30	4335-45		4305-10		
3 months	4375-80	4385-90	4400/4360	4355-60	4385-400	10,646 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 27,163 lots	
Cash	890.5-1.5	877-78	893.5	883-3.5		
3 months	907.5-8.0	893-94	908/894	899.5-900.0	904-5	79,801 lots
LME Closing £/$ rate: SPOT: 1.5322		3 months: 1.5320		6 months: 1.5145		9 months: 1.5072

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	353.60-354.00	
Opening	352.40-352.80	
Morning fix	[illegible]	230.885
Afternoon fix	354.00	230.950
Day's high	354.40-354.80	
Day's low	351.80-353.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.88	6 months	2.57
2 months	2.62	12 months	2.88
3 months	2.59		

Silver fix	p/troy oz	US cts equiv
Spot	268.85	411.10
3 months	272.70	414.15
6 months	276.35	417.40
12 months	283.85	424.85

GOLD COINS

	$ price	£ equivalent
Krugerrand	352.50-355.50	230.00-232.00
Maple leaf	364.40-366.75	-
New Sovereign	83.50-86.50	54.50-56.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1100	28	56	5	16
1125	11	41	15	25
1150	8	28	31	37
Copper (Grade A)	**Calls**		**Puts**	
1800	13	51	56	84
1850	5	34	97	116
1900	3	22	144	153
Coffee LCE	**Nov**	**Jan**	**Nov**	**Jan**
1200	108	151	33	61
1250	78	96	53	86
1300	55	77	80	114
Cocoa LCE	**Dec**	**Mar**	**Dec**	**Mar**
775	146	164	4	8
800	124	156	7	10
825	103	144	11	14
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
1650	42	-	46	69
1700	21	42	71	89
1750	8	30	-	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	353.5	350.8	0	0
Oct	353.8	351.1	355.1	353.8
Nov	354.6	351.9	0	0
Dec	355.5	352.8	358.8	354.7
Feb	357.2	354.5	358.0	357.0
Apr	358.8	356.1	360.0	360.4
Jun	360.4	357.7	361.7	361.7
Aug	362.1	359.4	361.3	361.3
Oct	363.8	361.1	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	381.8	[illegible]	383.5	381.0
Jan	383.3	381.1	385.0	382.5
Apr	384.8	382.6	388.0	386.0
Jul	386.3	384.1	386.5	386.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	408.3	404.3	410.0	408.0
Oct	410.1	405.2	0	0
Nov	413.0	407.1	0	0
Dec	412.2	407.3	416.5	409.0
Jan	412.5	407.5	0	0
Mar	416.4	411.5	420.5	414.0
May	418.4	414.5	421.0	419.0
Jul	422.2	417.3	423.0	422.5
Sep	425.0	420.1	0	0
Dec	429.5	424.8	430.0	429.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	78.30	78.10	78.05	78.50
Oct	78.80	78.15	77.50	76.60
Nov	78.85	78.40	77.75	77.75
Dec	77.05	78.85	78.70	77.00
Jan	77.30	78.80	78.00	78.00
Feb	77.55	79.20	0	0
Mar	77.85	79.50	79.45	77.90
Apr	78.20	79.85	0	0
May	78.90	80.20	80.00	78.80
Jun	78.80	80.50	80.00	79.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	17.48	17.07	17.54	17.11
Nov	17.76	17.37	17.80	17.39
Dec	18.04	17.60	18.08	17.72
Jan	18.28	17.84	18.28	18.01
Feb	18.45	18.15	18.45	18.25
Mar	18.64	18.34	18.63	18.45
Apr	18.78	18.52	18.77	18.60
May	18.97	18.66	18.90	18.76
Jun	19.04	18.81	19.10	18.93
Jul	19.15	18.98	19.15	19.05

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	63.15	61.92	63.40	62.00
Nov	63.65	62.77	64.10	63.00
Dec	64.75	63.68	64.95	64.10
Jan	65.35	64.54	65.55	64.30
Feb	[illegible]	64.64	65.60	65.15
Mar	64.95	64.34	65.15	64.70
Apr	64.10	63.59	64.10	64.10
May	63.30	62.59	63.30	63.05
Jun	64.50	62.19	0	0
Jul	63.25	62.44	63.25	63.20

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1177	1175	1204	1169
Mar	1225	1222	1248	1218
May	1243	1244	1266	1241
Jul	1264	1265	1290	1276
Sep	1284	1285	1308	1292
Dec	1308	1307	1330	1330
Mar	1328	1329	0	0
May	1343	1344	1360	1360
Jul	1364	1365	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Latest	Previous	High/Low	
Sep	78.85	80.50	80.25	78.90
Dec	81.45	82.85	82.80	80.50
Mar	83.70	85.00	84.90	82.70
May	84.75	86.05	86.15	84.30
Jul	85.85	87.25	86.25	86.00
Sep	87.10	88.25	0	0
Dec	89.75	90.85	90.75	90.60

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.79	9.98	10.12	9.73
Mar	10.25	10.31	10.42	10.15
May	10.39	10.39	10.42	10.24
Jul	10.41	10.47	10.50	10.29
Oct	10.45	10.47	10.47	10.36

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	56.80	57.50	57.10	56.50
Dec	58.54	59.15	58.62	58.10
Mar	60.00	60.63	60.30	59.70
May	60.60	61.23	60.70	60.56
Jul	61.45	62.10	61.45	61.05
Oct	61.77	62.30	0	0
Dec	61.66	62.45	61.70	61.28
Mar	62.42	63.00	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	123.80	123.25	123.85	121.30
Jan	125.80	125.30	125.80	123.30
Mar	127.30	126.45	127.30	125.15
May	128.45	127.50	128.45	126.55
Jul	128.80	128.50	128.50	128.80
Sep	129.40	128.90	0	0
Nov	128.40	128.90	0	0
Jan	129.40	128.90	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Sep 20	Sep 17	mnth ago	yr ago
1604.7	1595.9	1613.5	1578.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Sep 17	Sep 16	mnth ago	yr ago
Spot	121.82	121.72	122.88	119.07
Futures	129.52	128.63	124.75	116.35

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	657/4	660/0	668/0	641/0
Nov	639/6	639/0	641/0	629/0
Jan	645/6	641/4	646/0	634/4
Mar	651/2	647/6	652/0	640/0
May	654/0	650/4	654/0	644/0
Jul	657/2	653/4	658/0	648/4
Aug	654/0	651/0	654/0	647/0
Sep	636/0	631/4	636/0	629/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	23.62	23.52	23.62	23.26
Oct	23.57	23.58	23.59	23.28
Dec	23.66	23.66	23.69	23.33
Jan	23.66	23.66	23.66	23.38
Mar	23.67	23.68	23.68	23.37
May	23.66	23.64	23.67	23.35
Jul	23.52	23.52	23.52	23.25
Aug	23.32	23.30	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	198.7	198.0	199.0	196.2
Oct	198.1	198.2	198.2	194.1
Dec	198.4	198.5	198.8	194.3
Jan	199.1	197.3	199.4	195.3
Mar	201.1	199.7	201.5	197.3
May	202.0	201.1	202.3	198.3
Jul	204.5	202.5	204.8	200.5
Aug	204.0	203.0	204.0	201.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	239/4	242/0	240/4	239/0
Dec	244/2	243/6	244/4	240/6
Mar	252/0	251/2	252/0	248/4
May	256/6	256/2	257/0	253/6
Jul	259/6	259/2	260/0	257/0
Sep	254/0	254/0	254/4	253/0
Dec	248/4	248/6	249/4	247/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	301/4	303/6	303/4	301/4
Dec	310/2	312/0	311/6	309/4
Mar	315/2	316/0	316/0	314/0
May	312/4	312/0	312/6	311/0
Jul	305/6	306/0	306/0	304/0
Sep	309/6	310/0	0	0
Dec	317/6	319/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	73.950	74.350	74.275	73.800
Dec	74.100	74.625	74.450	73.725
Feb	75.425	75.850	75.650	75.075
Apr	76.400	76.400	76.400	76.050
Jun	72.825	72.875	72.825	72.800
Aug	71.550	71.700	71.700	71.500
Oct	72.350	72.525	72.500	72.350

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	49.275	49.525	49.375	48.850
Dec	48.875	48.675	48.000	48.200
Feb	47.825	47.600	47.800	47.150
Apr	45.775	45.800	45.900	45.400
Jun	50.600	50.375	50.650	50.150
Jul	49.360	49.300	49.450	49.250
Aug	48.000	47.950	48.000	47.950
Oct	44.150	44.050	44.150	44.050

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	50.250	50.400	50.400	49.025
Mar	49.825	49.800	49.850	48.700
May	50.700	50.800	50.700	49.800
Jul	50.350	50.350	50.400	49.600
Aug	49.600	49.850	49.700	48.800

LONDON STOCK EXCHANGE

Steady opening to the new account

By Terry Byland,
UK Stock Market Editor

UK EQUITIES rallied well from a poor start in a thinly traded session yesterday, but weak trading volumes gave little cause for celebration as the FT-SE 100 Index struggled to hold on to the 3,000 mark on the first day of the new trading account. Technical factors, including the effects of ex-dividend adjustments to a large number of blue chip share prices, worth the equivalent of about 10 points on the Footsie, played a role in erratic movements in both the Footsie and the December contract on the index which took over the lead on the stock index futures sector yesterday.

Uncertainty in government bond prices ahead of the announcement today of details of an impending auction of gilt-edged securities was no help to share prices, which have benefited strongly from falling yields in the bond market. THe August M4 money supply data for the UK, showing slightly less annualised growth than predicted, had little effect on share prices.

The FT-SE Index closed down only 1 point at 3,004.5 but had slipped to 2,987.5 early in the session as an initial burst of selling of stock index futures helped to upset a stock market already struggling with ex dividend adjustments to share prices taking an estimated 10.3 off the Footsie Index.

Index compilation was additionally complicated by activity in Glaxo after news, too late for the UK stock market on Friday night, of its legal victory over US patents for Zantac, the anti-ulcer drug responsible for nearly half the group's annual turnover.

Share prices rallied in mid-session together with the December future on the Footsie but trading volume, never on any great scale, died away as London waited to see if Wall Street would extend Friday's losses. In the event, New York made a somewhat uneventful start to the new session and the UK market managed an unconvincing rally. Nervousness in London over prospects for equities in New York has become a depressing factor for share prices.

The FT-SE Mid 250 Index, at 3,423.6, closed 2.1 down, following the blue chip market to end above the day's low. Non-Footsie business made up around 59 per cent of the day's Seaq total of 443.3m shares.

On Friday, with turnover boosted by the close of the equity trading account, Seaq volume of 443.3m shares was worth £1.68bn in genuine customer business, a return to the best daily levels recorded over the past year.

Waning hopes for a cut in UK base rates following disappointing news last week on domestic inflation left the store and retail sector lacking strength. But banks and utilities, both traditionally beneficiaries from interest rate optimism, were firmer towards the end of the session.

Predictions of a rate cut to record lows today by the Bank of Japan appeared to help sentiment in London. But among the blue chips, the pharmaceuticals continued to show uncertainty while oil stocks remained depressed by bearish views on world crude prices.

Investment opinions appeared to have moved towards caution over the weekend as UK analysts surveyed the progress of the company reporting season and the interest rate outlook. Mr Robin Aspinall of Panmure Gordon summed up the less confident view by urging that this "is the time to sell UK equities".

TRADING VOLUME IN MAJOR STOCKS

	Volume 000s	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:		
Sep 6	Sep 20	Oct 4
Option Declarations:		
Sep 16	Sep 30	Oct 14
Last Dealings:		
Sep 17	Oct 1	Oct 15
Account Day:		
Sep 27	Oct 11	Oct 25

*New time dealings may take place from two business days earlier.

Glaxo up on patent ruling

SHARES IN pharmaceuticals group Glaxo fought off the weakness of the stock market and the effect of going ex-dividend after investors responded to news that the company had won an important patent case in the US. The stock was the most actively traded in London yesterday and closed 13 higher at 642p xd.

Late on Friday night, UK time, it was announced that Glaxo had won a crucial lawsuit against Novopharm, of Canada, over US patents for Zantac, the world's best-selling medicine which, in the last financial year, generated sales of £2.17bn, equivalent to 44 per cent of group turnover.

The legal victory increases Glaxo's chances of winning a second patent case against Genpharm, a Canadian generics company smaller than Novopharm, which is scheduled to challenge Glaxo's patents next May.

Shares were marked sharply higher before dealing began in London yesterday, and at one stage the stock was more than 40p up. However, arbitraging between the UK shares and the American Depositary Receipts traded in New York whittled away some of London's gain.

Telecoms firm

Telecom issues held up, with BT adding 4¼ at 425½p as a UK analyst pointed out the yield attractions, and Vodafone gaining 8½ at 503p on US support.

In BT, Hoare Govett's telecoms specialist noted the benefits of the company's yield, arguing that it was attractive to income funds as it would be paid in cash rather than as an increased scrip. Also, against the current low interest rate climate the company offers a yield of 9.4 per cent on the partly paid shares and 5 per cent on the fully paid. BT shares were further helped by reports in the weekend press of a huge relocation from central London which would lead to massive salary savings.

Meanwhile, Vodafone was recommended by New York trading house Cowen & Co, which raised its near-term rating on the group to outperform from neutral ahead of an important presentation tomorrow. Analysts said there was a possibility that the group could announce changes to its peak-time urban charge to hit back at Mercury's new One-2-One service. Finally, Shaw & Co, the private client broker, recommended switching funds into Vodafone from Cable and Wireless, which suffered initial weakness before ending a net 5 up at 838p.

Yield attractions

The regional electricity companies (Recs) presented a lively front yesterday as Hoare Govett highlighted dividend opportunities in its weekly strategic overview.

The house argues that the race for cyclical recovery stocks and the impact of enhanced scrip dividends has meant that a lot of the blue-chip high yielders have been left behind.

Hoare says the Recs, as well as the health and household stocks and some of the prestige food manufacturers, will become sought after as income funds scramble for stocks which offer strong dividend growth. It adds that the inherent value in the National Grid has not been fully discounted. Among the risers were Eastern, up 9 at 553p, Norweb, 8 better at 595p, and Midlands, which rose 4 to 600p.

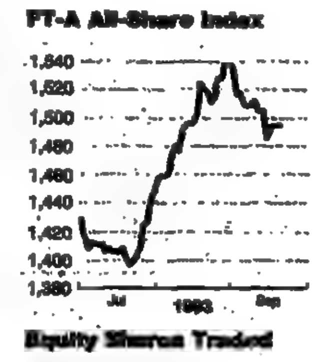
Wellcome advanced 14 to 710p, helped by a reiterated recommendation at the morning meeting of Paribas's London arm. The house believes the group represents the best value quality play in the sector and is best placed to cope with changes that will result from President Clinton's healthcare reforms. There was also support from an alliance announced between Wellcome and Centocor, a cancer drug company.

An improvement in first-half profits at Morgan Crucible brought a turnround in the fortunes of the stock. Having declined in nervous trading over the last few sessions, the shares improved 22 to 323p, one of the day's bigger gains.

A slim recovery for condom maker London International after last week's profits warning and subsequent market savaging was restrained as Gartmore Investment Trust announced it had reduced its holding to 2.48 per cent from 4 per cent. Prudential raised its stake to just above 5 per cent and LIG shares moved up 3 to 1254p.

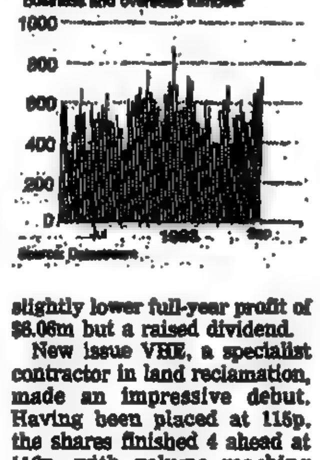
Community Hospitals rose 9 to 206p after announcing a slightly lower full-year profit of $6.06m but a raised dividend.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Source: Datastream

New issue VHE, a specialist contractor in land reclamation, made an impressive debut. Having been placed at 115p, the shares finished 4 ahead at 119p, with volume reaching 2.3m.

Last week's advance in Tomkins, prompted by a positive annual meeting, came to a halt as profit-takers moved in. The stock closed 5 lower at 232p.

General Accident was squeezed 10 higher to 686p in very thin volume.

Magazine printer Hunterprint was up 4 before settling a net 2 higher at 45p after announcing that it had won the contract to print a new weekly supplement for London's Evening Standard newspaper.

Printer De La Rue put a brave face on its first day out of the FT-SE 100 Index. Having taken the pain on Friday, the shares recovered to close 15½ higher at 868p. Meanwhile, Schroders, the merchant bank, celebrated its first day in the index with a retreat of 9 to 1320p as one securities house argued that the shares were overvalued.

Banks were firmer, with both Lloyds and HSBC attracting interest. Optimism for a cut in Japanese interest rates helped sentiment.

Food manufacturing company Devro International which came to the market earlier this year continued to bask in the glow of last week's favourable interim figures. The shares gained 7 to 240p.

Northern Foods closed 3 up 266p, ahead of a two-day visit by analysts to the company, begining today.

NatWest Securities reiterated its buy recommendation on J Sainsbury yesterday following talks with the company. The shares put on 6 to 456p. Tesco hardened 2 to 215p ahead of today's interim figures. Analysts expect profits to show a 7 per cent improvement to £270m.

Shares in Grand Metropolitan shed 2 to 425p after Smith New Court trimmed its profits forecast for the year to September 1993. It reduced its figure by £10 to £950m to reflect "disappointing progress in the US spirits market."

Speculation continued that Grand Met is to sell its Chef & Brewer pubs chain. Scottish & Newcastle was mentioned by many dealers as the possible purchaser and shares in the brewer gave up 9 to 470p.

A two-way pull was seen in Guiness which reports interim figures on Thursday. Having declined to 458p, at one stage, the shares closed a penny ahead at 466p. Kleinwort Benson was said to be negative on the stock.

British Aerospace shares put on a robust performance as talk that the company was in merger talks with defence electronics group GEC resurfaced. The stock gained 8 at 416p xd, and GEC rose 4 to 349p in trade of 2.3m. Japanese car manufacturer Honda, which has a 20 per cent stake in Rover, BAe's car manufacturing subsidiary, yesterday denied strong weekend press reports that it was to ask BAe to assemble cars with a Honda badge.

Aerospace and medical equipment group Smiths Industries gained 5 to 368p, after confirming it had won a contract to develop the electrical power distribution centres on the F-22, the next generation fighter for the U.S. Air Force. Sentiment was further boosted by a recommendation from Strauss Turnbull for Smiths and the defence sector as a whole. Mr Nick Cunningham, at the broker, said: "Defence earnings are in the process of being rerated as defence cuts are now at the bottom. Smiths is an example of a company that has exercised cost controls. It anticipated and accommodated the downturn well."

Engineering group Meggitt disappointed the market when it reported a 7.8 per cent decline in interim profits leading analysts to downgrade full-year figures. The shares lost 8 to 100p. Researchers reduced full year estimates by about £4m to £23m and one warned: "The market will continue to be placed on a negative rating because of suspicion brought about by the company's lack of full disclosure."

MARKET REPORTERS:
Peter John,
Joel Kibazo.

■ Other statistics, Page 22

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (80).
BRITISH FUNDS (1) Ex. 3pc Gas 1990-95, AMERICANS (1) Citicorp, BANKS (2) Bank of Scotland 9⅛pc Pf., Deutsche, BREWERS (1) Wetherspoon (J.D.), BLDG MATLS (2) Russell (A), Sheffield Ins., BUSINESS SERVS (1) Serco, CHEMS (2) European Colour, [illegible] Rink, CONGLOMERATES (1) Hanson 9½pc Bd., CONTG & CONSTRCN (4) Allen, [illegible] Dev., Crest Nicholson, Do. 5½pc Pf., ELECTRICALS (2) Merivale-Swain, Scholes, ELECTRICITY (3) Eastern, Nthn. Ireland, Scott. Power, ELECTRONICS (7) Amstrad, Diploma, Enterprise Computer, ISA Intl., Kewill, Molynx, Process Systems, ENG GEN (2) Frogmore, Renold, Syltone, FOOD MANUF (1) Devro, HEALTH & HSEHOLD (1) [illegible], HOTELS & LEIS (2) Buckingham, Magnolia, INV TRUSTS (3) Tor, Turkey, Welsh Indl., MEDIA (7) Allied Radio 5pc Ln. 2001, Chiltern Radio, Grampian TV A, HTV, LWT, VTR, Yorkshire Tyne-Tees TV, MTL & MTL FORMING (1) Meaco, MISC (17) Airsprung Furniture, Bluebird Toys, Dinkie Heel, Excalibur, Eurocopy, Hobson, Lincat, Norbain Elects., Office & Elect., Ricardo, Walker Greenbank, MOTORS (2) Bostrom, Mid-States, OIL & GAS (3) Aminex, Europa Energy, Gt. Western, Shell Trans. 7pc Pf., Villiers, OTHER FINCL (1) Carlisle, OTHER INDLS (1) RJB, PACKG, PAPER & PRINTG (2) Bemrose, Kleerfold, PROP (5) Asda, Chesterfield, Peel, Scott. Met., Tops Ests., STORES (3) Cantors, Goldsmiths, In Shops, TEXTS (3) Jacques Vert, Magellan, Usher (Frank), TRANSPORT (2) Norex, Stagecoach.
NEW LOWS (22).
BRITISH FUNDS (5) AMERICANS (1) Woolworth, CANADIANS (2) Brealorne Res., Inco, BREWERS (2) Macallan-Glenlivet, Wolv. & Dudley, ELECTRONICS (1) Lynx Printing Tech., ENG GEN (1) Ferrum, HEALTH & HSEHOLD (2) Baxter Intl., Tamaris, INSCE BROKERS (1) Steel Burrill Jones, MEDIA (3) Blenheim, Do. 6.4pc Pf., MISC (3) Fil, Pentland, TEXTS (2) Haggas (John), Horace Small Apparel, MINES (1) Devex.

FINANCIAL TIMES EQUITY INDICES

	Sep 20	Sep 17	Sep 16	Sep 15	Sep 14	Year ago	* High	* Low
Ordinary share	2326.3	2331.9	2331.2	2321.2	2354.1	1897.8	2414.2	2124.7
Ord. div. yield	3.98	3.90	3.90	4.01	3.95	4.87	4.52	3.82
Earning yld % full	4.70	4.98	4.70	4.72	4.95	5.81	6.38	4.51
P/E ratio net	27.16	27.18	27.17	27.04	27.48	18.60	28.28	19.40
P/E ratio nil	25.08	25.10	25.08	24.98	25.34	17.25	26.14	18.14
Gold Mines	174.3	169.1	169.8	156.0	145.4	81.4	249.2	88.0

*for 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2325.2	2316.8	2321.7	2325.7	2323.8	2324.5	2323.7	2324.3	2328.1	2328.3	2313.4

Volume	Sep 20	Sep 17	Sep 16	Sep 15	Sep 14	Year ago
SEAQ Bargains	27,711	34,025	28,442	28,904	28,175	35,360
Equity Turnover(£m)†	-	1691.1	1751.3	1495.0	1306.6	1635.7
Equity Bargains†	-	37,803	32,133	32,518	31,052	43,580
Shares traded (mil)†	-	730.3	669.9	648.6	625.0	823.5

† Excluding intra-market business and overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

DERIVATIVES markets had an erratic session in London as traders dealt on the back of an equally uncertain stock market, writes Terry Byland.

Trading in the futures was divided between the locals, or independent traders, and the big trading houses, as they came to grips with the first full day led by the December dated contract on the FT-SE 100 Index; volume was on the low side at 7,404 contracts.

Trading at its Fair Value premium of around 24 points, the December contract moved between an early low of 3,006 and the day's high of 3,34 before closing at 3025, an effective one point premium to the cash market. Traders professed themselves satisfied with the first day of trading in the December contract, but agreed that the next three months could prove very difficult.

Only one London trading house managed to arbitrage between cash and futures yesterday. For the rest of the UK based houses, it was a trading day rather than a day of excitements.

Volume in traded options fell sharply to 19,504 contracts from Friday's 36,413. The FT-SE Index traded 7,803 against 16,548. Glaxo headed the list of individual stock contracts, trading 1,733 contracts as the underlying stock market resoponded to the group's legal victory in the US. The Euro FT-SE contract also attracted buyers, recording business of 12,442 contracts.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3004.5 -1.0	3423.6 -2.1	1493.72 -0.57

	Sep 20	Day's change %	Sep 17	Sep 16	Sep 15	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
FT-SE 100	3004.5	—	3005.5	3003.9	2989.4	2560.1	3.90	5.73	21.68	79.17	1092.50
FT-SE Mid 250	3423.6	-0.1	3425.7	3421.2	3424.1	2377.4	3.55	5.69	20.66	74.42	1231.76
FT-SE Mid 250 ex Inv Trusts	3438.7	—	3441.3	3437.0	3438.9	2385.0	3.64	6.29	19.48	76.06	1233.10
FT-SE-A 350	1508.0	—	1506.6	1505.5	1500.2	1229.0	3.82	5.76	21.42	38.10	1121.34
FT-SE SmallCap	1766.15	—	1766.72	1769.01	1771.76	–	3.15	3.83	35.04	33.49	1329.79
FT-SE SmallCap ex Inv Trusts	1768.50	—	1768.68	1771.31	1773.31	–	3.32	4.32	32.86	34.94	1332.90
FT-A ALL-SHARE	1493.72	—	1494.29	1493.42	1488.64	1208.06	3.78	5.65	21.97	37.19	1131.93
1 CAPITAL GOODS(216)	1053.30	-0.2	1055.35	1053.36	1051.31	769.63	3.88	4.09	31.95	26.92	1244.93
2 Building Materials(28)	1160.05	-0.5	1166.12	1166.58	1171.68	756.10	3.92	3.29	42.56	25.93	1347.07
3 Contracting, Construction(29)	1025.48	-0.1	1026.89	1025.51	1029.39	597.15	3.21	1.27	80.00†	18.54	1423.32
4 Electricals(15)	3076.65	+0.4	3063.66	3051.14	3032.02	2146.34	4.40	3.49	35.83	85.27	1249.42
5 Electronics(25)	2887.45	+0.7	2867.74	2846.54	2840.97	1899.24	3.00	5.78	21.17	64.82	1285.28
6 Engineering-Aerospace(7)	429.31	+0.4	427.51	425.76	424.13	313.62	3.39	‡	‡	7.66	1486.95
7 Engineering-General(48)	603.64	-0.5	606.69	608.74	607.48	486.42	3.59	6.77	20.98	14.37	1213.92
8 Metals & Metal Forming(10)	447.29	+0.4	445.52	443.86	444.46	323.13	2.45	‡	‡	8.85	1414.46
9 Motors(20)	446.13	-0.9	449.99	449.65	449.39	324.15	4.91	4.34	32.80	16.72	1245.06
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE Actuaries 350 Industry Baskets

[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

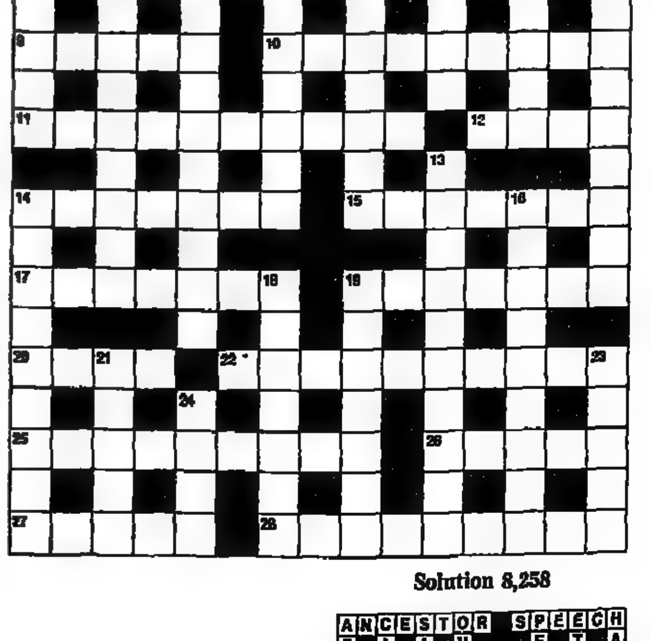
BRITISH FUNDS

[illegible]	[illegible]

Continued on next page

CROSSWORD

No.8,259 Set by HIGHLANDER



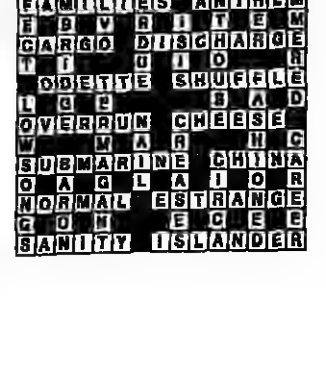
ACROSS

1 Bush has hard day – shook with anger (9)
6 Bra or some other mainstay initially supports it (5)
9 Liverpool girl taken aback inside foreigner's house (5)
10 Dirty picture popular with planners (9)
11 Cut of meat on offer – look in (10)
12 Male lead in Fiddler on the Roof (4)
14 Continue interminably to hold old cavalryman (7)
15 Special police arrangement for postage (7)
17 Cut headers out (7)
19 Porter accepts letters for John or Matthew (7)
20 Go without sex appeal (4)
22 Salome starts putting on uniform and hides her working clothes (5,5)
25 Pepys said to be disposed to indigestion (9)
26 What makes unpleasant person a parasite? (5)
27 Fantasy shot in Scotland about English (5)
28 More powerful current (9)

DOWN

1 Explosive first used in USA for robbery (5)
2 Draw it with a needle for a change (9)
3 Frank is too high-minded for directors (5,5)
4 Tapestry put up shows river and marshland (7)
5 Funny American lost in thought (7)
6 Dances to 40's music, giving bandleader work on Saturday (4)
7 Pinch-hit (5)
8 Foreign underground said little man used to give musicians speed (9)
13 Like a heavy weight bearing down on house team (5,5)
14 Bloated daughter is looked after (9)
16 Regard as belonging with property (9)
18 Improve appearance of don at university (5,2)
19 Synthetic fibre expert fails over gallery (7)
21 Lives with girl's children (5)
23 Exhausted writer is in the way (5)
24 Starts to become evident in the morning light (4)

Solution 8,258



JOTTER PAD

LONDON SHARE SERVICE

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS - Cont.

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

	Notes	Price	+ or –	1993 high	low	Mkt CapΣm	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf.		111	+2	113¾	93	15.9	8.6	–
9¼pc Non-Cum Prf		130	+2	130	113	53.2	8.2	–
Close Bros		430	+17	433	258	188.8	3.3	♦
Hambros	♣☐	364	–	390	243	838.3	4.8	18.8
7½pc Cv Pf		164½	+½	164	111½	231.8	8.1	–
Joseph (L)	♣	488	–	493	313	21.4	5.1	–
Kleinwort Benson	†☐	473	–	500	312	822.9	4.2	16.4
Rea Bros	♣†☐	51	–	54	30	20.0	1.2	54.2
Schroders	♣†h	1328xd	–6	1335	487½	1,203	1.8	26.3
N/V	†h	1260xd	–4	1316	397½	302.0	1.1	25.1
Singer & Fried	♣‡N☐	79½xd	+1	83	46	103.8	4.7	–
Warburg (SG)	♣N☐	782	+2	810	625	1,800	3.0	18.7
Wintrust	♣	282	–	285	166	24.0	4.1	25.3

METALS & METAL FORMING

MISCELLANEOUS

OIL & GAS - Cont.

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES - Cont.

	Notes	Price	+ or –	1993 high	low	Mkt CapΣm	Yld Gr's	P/E
6¾pc Cv Pf		44¼	+½	61½	11	18.1	–	–
Smith (WH) A	N☐	437	–3	488	400	1,191	4.1	14.5
Storehouse	N☐	230	–3	229	176	511.7	2.8	28.4
Stylo	♣N	184	–	187	88	35.2	2.0	70.4
T & S Stores	☐	190	–	191	148	108.1	4.4	12.4
Tie Rack	☐	155	–1	160	71	80.0	0.8	25.4
Upton & Sthn	N☐	3¼	–	8	1¾	4.11	–	–
Wld of Leather	♣N	87	–	78	45	5.45	–	–
Wyevale	♣†	187xd	–1	198	148	67.4	2.7	24.7

TELEPHONE NETWORKS

	Notes	Price	+ or –	1993 high	low	Mkt CapΣm	Yld Gr's	P/E
BT	♣N☐	435½	+4½	449½	376	26,482	4.6	30.1
Cable & Wire	N☐	838	+5	875	669	9,125	2.2	21.9
7pc Cv Ln '08		£204	+1	£213½	£165	638.0	3.4	–
Gt Gt Nordic		£53¼	–	£53¾	£31¾	181.6	2.0	–
Securicor	♣†	1075	–	1083	917	44.7	0.3	41.0
A N/V	†☐	729	–	765	582	588.8	0.4	27.7
Security Servs	†☐	836	–	886	485	886.2	1.0	31.0
Vodafone	N☐	603	+8½	605	367	5,080	1.7	22.8

TEXTILES

MINES - Cont.

	Notes	Price	+ or –	1993 high	low	Mkt CapΣm	Yld Gr's
O.F.S.							
Beatrix		335	–33	630	150	284.8	4.4
FS Cons		593	–13	888	292	816.0	7.0
Free State Dev		42	–	80	8	9.34	–
Harmony	‡	244	+26	360	78	86.6	‡
Joel (HJ)		33	+5	47	14	32.3	–
Loraine		150	+16	219	13	34.5	–
St Helena		456	–13	585	191	43.9	5.1
Unisel	†	113	–3	201	58	31.6	2.6
Diamond and Platinum							
Anglo Am Inv		£12	–1	£13	£8	1,209	4.8
De Beers Lkd Uts	†	£11⅛	–⅛	£13¼	£7⅝	4,229	4.3
40pc Pf		337	–13	375	300	2.70	11.2
Impala Plat	♣	668	+40	1010	491	415.5	4.1
Lydenburg		725	–55	840	620	114.8	2.8
Northam Plat		114	+1	204	97	65.7	–
Rustenburg		[illegible]	+½	[illegible]	[illegible]	1,174	3.4
Central African							
Wankie Col Z$		12	–	12½	10	3.04	4.4
Willoughby's	‡	86	–	113	71	3.21	‡
Pfd	‡	48	–	50	18	3.17	‡
Zambia Cpr SBD		71	–2	84	56	87.0	–

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

MOTORS

OIL & GAS

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

STORES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♠ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially UK listed: dealings permitted under Rule 535(2)
§ Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
61 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
AIB Grotund American	5	153.9	154.1	163.2	-0.80	0.00
AIB Grotund Equity	5	219.2	222.8	235.6	+0.10	1.18
AIB Grotund Euro	5	178.1	180.0	189.5	-0.40	0.30
AIB Grotund Ext Balanced	3	106.7	108.7	112.9	-1.30	1.84
AIB Grotund Gilt	3	78.85	78.60	81.04	+0.18	4.83
AIB Grotund Japan	5	180.6	182.2	191.8	-1.30	0.00

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set at the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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Standard Life Tst Mgmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ — 0800 393777

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Managed Acc	5¼	46.40	46.40	49.30	—	1.46
UK Equity Gth Acc	5¼	62.74	63.65	67.65	-0.1	1.09
UK Eq High Inc Inc	5¼	37.95	37.09	40.34	—	3.40
UK Eq High Inc Acc	5¼	45.09	45.09	47.90	—	3.40
UK Equity Gen Acc	5¼	56.47	57.51	61.11	—	2.11
UK Equity Gen Inc	5¼	42.76	43.56	46.28	—	2.11
UK Larger Cos Acc	F 7½	388.9	384.2	427.8	-0.1	3.65
UK Larger Cos Inc	F 7½	290.7	302.8	328.6	-0.1	3.65
Gilt & Fxd Int Inc	5¼	33.11	33.20	35.11	+0.2	5.81
O'seas Larg Cos Acc	F 7½	287.0	282.1	317.0	-0.4	1.23
Nth American Acc	5¼	43.15	43.40	46.12	-0.1	0.60
Far East Acc	5¼	59.38	59.39	63.11	—	0.30
European Acc	5¼	44.23	44.23	47.00	+0.1	0.74

State Street Unit Trust Mngmt Ltd (1400)F
28 King Street, London SW1 6QW — 071-344 7000

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Global A	5¼	$3.777	3.777	4.012	—	1.30
US Equities (a)	5¼	$2.197	2.197	2.334	—	1.14
Far East Equities (a)	5¼	Y264.1	256.6	271.5	—	—
Japan Equities (a)	5¼	Y258.4	260.4	276.5	—	—
FT Europe (a)	5¼	116.5	118.0	125.9	—	—
FT North American (a)	5¼	$1.752	1.752	1.857	—	2.07
FT Japan (a)	5¼	Y249.4	249.8	265.5	—	1.28
FT Asia Ex Japan (a)	5¼	$2.004	2.022	2.143	—	1.42

Stewart Ivory Unit Tst Mgrs Ltd (1200)F
45 Charlotte Sq, Edinburgh — 031-226 3271

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
American ♥	5	343.7	343.7	368.6	-1.7	0.33
(Accum Units) ♥	5	405.2	405.2	432.1	-2.0	0.33
British	5	988.2	988.2	1045.5	-3.0	3.43
(Accum Units)	5	1764.9	1764.9	1867.1	-5.3	3.43
Emerging Markets	5	115.2	116.4	124.0	-0.1	0.20
(Accum Units)	5	115.4	116.6	124.2	-0.1	0.20
European	5	428.1	428.1	453.8	-1.4	1.29
(Accum Units)	5	467.9	467.9	496.1	-1.5	1.29
Japan	5	160.2	160.2	170.0	-0.8	—
(Accum Units)	5	161.5	161.5	171.4	-0.8	—
New Pacific	5	313.8	315.7	338.2	-0.4	0.87
(Accum Units)	5	328.7	330.9	352.5	-0.5	0.87
Investment Tst	5	198.3	200.4	212.4	-1.5	1.09
(Accum Units)	5	223.3	225.7	239.2	-1.7	1.09
Mngd Equity	5	158.1	159.9	169.2	-0.3	1.50
Mngd Equity Acc	5	173.3	175.3	185.4	-0.4	1.50
Mngd Cash	0	98.16	98.16	98.16	+0.03	5.07
(Accum Units)	0	129.1	129.1	129.1	—	5.07
Majority Stkg	1	100.36	100.36	101.37	+0.05	4.78
Majority Stkg Acc	1	119.13	119.13	120.33	-0.04	4.78

Sun Alliance Unit Tst Mngmt Ltd (1200)F
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex

Jupiter Merlin Unit Trust Managers Ltd
Jupiter Merlin Exempt Trust

	Bid Price	Offer Price	+ or -	Yield Grs
UK Equity	£13.71	13.92	+0.01	—

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
Property Aug 5	£2050.0	2235.0	—	7.00
Inc Gth Prp Jul 12	£1440.0	1600.0	—	0.00

Lazard Investors Ltd ‡
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Grs
Small Co s Sep 15	£5250.0	5284.3	—	2.50
European Sep 15	£703.4	721.4	—	1.40
American Sep 15	£426.0	430.2	—	1.42
Japan Sep 15	£604.4	617.3	—	0.40
Pacific Sep 15	£701.0	704.1	—	0.05
Managed Gth Aug 31	£131.90	143.80	—	3.7

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ — 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Grs
Property Aug 31	170.70	188.70	—	6.53
Equity Aug 31	1094.00	1123.10	—	2.00

* Available only to Local Authorities

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
Charifund Lt		113.6	+0.2	6.18
(Accum Units)		624.60	+1.4	6.18
NAACIF (1)		48.71	—	0.00

For Merlin Jupiter see Jupiter Merlin

Morgan Grenfell Investment Funds Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Grs
UK Equity † Sep 14	177.6	182.7	—	2.30
UK Small Co † Sep 14	647.6	674.0	—	2.01
Fixed Interest † Sep 14	128.9	130.8	—	8.76
Intl Bond Sep 14	150.2	151.8	—	7.56

Morgan Stanley International

	Bid Price	Offer Price	+ or -	Yield Grs
UK Exempt NAV		£1522.79	—	—
Overseas Exempt NAV		£1424.47	—	—

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Grs
American Exempt	64.31	66.92	-0.14	1.24
European Exempt	58.41	60.72	+0.06	2.31
Fixed Int Ex Sep 16	53.48	54.00	—	7.70
Japan Exempt	61.02	62.01	-0.41	0.82
Managed Ex Sep 16	50.09	57.38	—	3.13
SE Asia Exempt	118.30	122.00	-0.50	1.01
Sm Cos Expt Sep 16	48.10	49.10	—	2.00
UK Eqty Ex Sep 16	47.87	48.41	—	3.85

PDFM Unit Managers Ltd

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Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F
PO Box 63, Bond Street, St. Helier, Jersey 0534 604614

Lloyds Bank (CI) U/T Mgrs.
PO Box 195, St Helier, Jersey 0534 284242

Bank Von Ernst & Cie AG - Contd.

Banque Scandinave a Luxembourg SA
16 Boulevard Royal, L-2449, Luxembourg

Barclays Diversified Portfolio

INVESCO International Limited - Contd.

Jupiter Tyndall Global Fund

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OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen weakens on agency report

THE YEN enjoyed a modest advance against the dollar at the start of European trading yesterday but later fell back on reports that the Bank of Japan would cut its discount rate today by 75 basis points, *writes James Blitz.*

The Japanese currency has appreciated against the dollar in recent days amid suspicions that the US administration has been disappointed by the Japanese fiscal stimulus announced last week.

Although the headline figure for the package of over 6 trillion yen was a little larger than had been expected, dealers have been concerned by the lack of tax cutting measures in the proposals. That sentiment would partly explain why the yen appreciated against the dollar at the start of European trading yesterday, appreciating from an opening of Y104.50 to a high of Y103.80.

Today's move on the official discount rate (ODR) will be critical for determining the near-term course of the dollar/yen exchange rate.

A cut in the ODR by 50 basis points, to 2 per cent, has been fully priced in by the market, and is unlikely to have much impact on the yen.

But the Japanese news agency, Jiji press, excited dealers in currency and fixed interest markets yesterday, by saying that the ODR could be reduced by 75 basis points at today's meeting of the Bank of Japan to a post-war low of 1.75 per cent. The news triggered an immediate rise in the value of the dollar, which closed at Y104.25.

"A 75 basis point cut could be the thing that stops the US criticising the economic package at this week's meetings with the Japanese," said Mr Mike Gallagher of I.D.E.A., the financial market consultants. "Anything less would force the US to make it clear that the overall package has been insufficient."

The dollar was also a little firmer against the D-Mark.

Some dealers sold the German currency in the wake of the local election results in Hamburg, which saw all three of Germany's main political parties suffering heavy losses.

The D-Mark may also have come under pressure from expectations that the latest figure for M3 money supply growth, due this week, will be a great deal lower than expected.

At the end of last week, there were strong expectations that the figure could fall into the Bundesbank's target range for annualised M3, of 4.5 to 6.5 per cent.

Those expectations have faded a little. But some dealers were still wondering yesterday whether the Bundesbank would introduce a variable rate repo in this week's money market operations for the first time since the latest crisis in the exchange rate mechanism.

The dollar peaked at DM1.6215 from a previous DM1.6095. It later fell back on fears that central banks would sell dollars for D-Marks and closed at DM1.6125. Sterling closed unchanged at DM2.4700.

£ IN NEW YORK

Sep 20	Latest	Previous Close
£ Spot	1.5315-1.5325	1.5310 1.5320
1 month	0.37-0.35pm	0.37 0.34pm
3 months	1.07-1.04pm	1.06 1.03pm
12 months	3.33-3.23pm	3.22 3.22pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep 20	Previous
8.30 am	80.6	80.6
9.00 am	80.6	[illegible]
10.00 am	80.6	[illegible]
11.00 am	80.6	80.5
Noon	80.6	80.6
1.00 pm	80.6	80.6
2.00 pm	80.6	80.6
3.00 pm	[illegible]	80.6
4.00 pm	80.6	80.7

CURRENCY RATES

Sep 20	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.931589	0.773384
U.S Dollar	3.00	1.42343	1.18382
Canadian $	5.02	1.87010	1.56784
Austrian Sch	5.75	16.1767	13.4802
Belgian Franc	6.50	45.9980	40.8970
Danish Krone	9.25	9.58040	7.80822
D-Mark	6.25	N/A	1.91557
Dutch Guilder	5.80	[illegible]	2.15182
French Franc	-	8.03028	6.67856
Italian Lira	8.5	2224.88	1850.28
Japanese Yen	2.50	148.677	123.570
Norway Krone	-	10.0048	8.33977
Spanish Peseta	-	184.201	153.125
Swedish Krona	11.50	11.4018	9.53865
Swiss Franc	4.50	2.09183	1.65724
Greek Drach	19	N/A	275.389
Irish Punt	-	N/A	0.821272

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Sep 17

CURRENCY MOVEMENTS

Sep 20	Bank of England Index	Morgan Guaranty Changes %
Sterling	80.6	-28.67
U.S. Dollar	64.5	-13.30
Canadian Dollar	90.9	-10.71
Austrian Schilling	113.1	+16.69
Belgian Franc	112.6	-1.31
Danish Kroner	112.6	+7.34
D-Mark	126.0	+33.40
Swiss Franc	116.7	+22.80
Dutch Guilder	120.8	+22.03
French Franc	107.3	-8.30
Lira	78.8	-36.50
Yen	183.8	+125.86
Peseta	88.7	-32.25

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100). *Rates are for Sep 17

OTHER CURRENCIES

Sep 20	£	$
Argentina	1.5345 - 1.5360	1.0010 - 1.0020
Australia	2.3529 - 2.3553	1.5355 - 1.5365
Brazil	131.350 - 131.890	85.7380 - 86.1210
Finland	8.8660 - 8.9415	5.7820 - 5.8120
Greece	365.280 - 366.490	240.800 - 239.280
Hong Kong	11.8470 - 11.8580	7.7330 - 7.7335
Iran	2439.00 - 2459.45	1600.00 - 1605.00
Korea(Sth)	1228.75 - 1245.25	809.90 - 813.30
Kuwait	0.45820 - 0.45910	0.29920 - 0.29970
Luxembourg	52.85 - 52.95	34.50 - 34.60
Malaysia	3.8995 - 3.9085	2.5445 - 2.5455
Mexico	4.7615 - 4.7849	3.1080 - 3.1090
N.Zealand	2.7725 - 2.7755	1.8085 - 1.8105
Saudi Ar	5.7430 - 5.7545	3.7495 - 3.7505
Singapore	2.4430 - 2.4490	1.5945 - 1.5955
S.Af (Cm)	5.2410 - 5.2525	3.4155 - 3.4160
S.Af (Fn)	7.0555 - 7.0710	4.6025 - 4.6125
Taiwan	41.25 - 41.40	26.90 - 27.00
U.A.E.	5.6305 - 5.6355	3.6715 - 3.6735

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 20	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.15182	-2.04	7.19	-
D-Mark	1.94964	1.91557	-1.75	6.87	-
Spanish Peseta	154.250	153.125	-0.73	5.78	5
Portuguese Escudo	192.854	195.557	1.40	3.66	-9
Irish Punt	0.808628	0.821272	1.56	3.39	-11
Belgian Franc	40.2123	40.8970	1.70	3.25	-12
French Franc	6.53883	6.67856	2.14	2.81	-16
Danish Krone	7.43679	7.80822	5.00	0.00	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.)

POUND SPOT - FORWARD AGAINST THE POUND

Sep 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.85-1.83pm. 12 Month 3.33-3.22pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Sep 20	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sep 20	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.532	2.470	158.8	8.622	2.160	2.775	2381.	2.034	52.90	187.8	1.294
$	0.653	1	1.612	104.3	5.629	1.403	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.405	0.620	1	64.70	3.491	0.870	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	6.258	9.587	15.46	1000.	[illegible]	13.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.160	1.777	2.864	185.3	10.	2.493	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.465	0.713	1.149	74.33	4.011	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N Fl.	0.360	0.552	0.890	57.58	3.107	0.775	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.418	0.641	1.033	66.85	3.608	0.899	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.494	0.757	1.220	78.95	4.260	1.062	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.890	2.896	4.669	302.1	16.30	4.064	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pta	0.506	0.775	1.250	80.87	4.364	1.088	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	0.770	1.179	1.901	123.0	6.636	1.655	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Pesetas per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE EURO SWISS FRANC OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS; LIFFE SHORT STERLING OPTIONS; LONDON (LIFFE); CHICAGO; PHILADELPHIA SE £/$ OPTIONS; PARIS; BASE LENDING RATES

[illegible]

Strike	Calls October	Calls December	Calls March	Puts October	Puts December	Puts March
121	-	2.80	-	-	0.16	-
122	-	1.85	-	0.02	0.29	-
123	0.75	1.29	-	0.10	0.63	-
124	0.21	0.76	-	0.57	1.11	0.47
125	0.05	0.41	-	-	-	-
Open int	89,471	165,540	53,766	37,774	158,284	20,598

Estimated volume 55,186 † Total Open Interest 497,042

† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	NatWestminster	6
Allied Trust Bank	6	Duncan Lawrie	6	Nykredit Mortgage Bnk	6.5
AIB Bank	6	Exeter Bank Limited	7	●Rea Brothers	6
●Henry Ansbacher	6	Financial & Gen Bank	7	* Roxburghe Bank Ltd	6
B & C Merchant Bank	13	●Robert Fleming & Co	6	* (in administration)	
Bank of Baroda	6	Girobank	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	●Guinness Mahon	6	●Smith & Williamson Secs.	6
Bank of Cyprus	6	Habib Bank AG Zurich	6	Standard Chartered	6
Bank of Ireland	6	●Hambros Bank	6	TSB	6
Bank of India	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Bank of Scotland	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Barclays Bank	6	C. Hoare & Co	6	Western Trust	6
Brit Bk of Mid East	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
CL Bank Nederland	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
Citibank NA	6	Lloyds Bank	6		
City Merchants Bank	6	Meghraj Bank Ltd	6		
Clydesdale Bank	6	McDonnell Douglas Bk.	6		
The Co-operative Bank	6	Midland Bank	6		
Coutts & Co	6	Mount Banking	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

European futures fall

EUROPEAN interest rate futures markets yesterday lost some of the enthusiasm for monetary policy easing that they had displayed at the end of last week, with prices falling across the board in Europe, *writes James Blitz.*

There were no official interest rate moves yesterday, and the Bank of France failed to ease either its five-10 day lending rate or its intervention rate in its regular Thursday operation.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Moreover, there appeared to be some uncertainty about what the Bundesbank would do in its regular money market operations this week.

At the end of last week, there had been some thought that the Bundesbank could return to a variable rate repo in its money market operations. But one London-based dealer said the market appeared to be getting back to the view that the repo could be fixed today at 6.70 per cent.

There have also been some fairly wild guesses about the M3 money supply figure, due this week. Some forecasters were talking about 5.5 per cent at the end of last week. But more conservative estimates, around the 7.5 per cent mark, were gaining ground yesterday.

Euromark futures therefore dropped back yesterday. The December contract closed at 93.98, 2 basis points down on the day. The March contract closed down 4 basis points at 94.46. In the French market, the December Pibor contract closed down 2 basis points at 93.76.

In UK markets, dealers continued to be swayed by last week's figures for the retail prices index which showed a larger than expected rise in the inflation figure in the year to August.

The December short sterling contract fell back 6 basis points on the say to close at 94.27.

In the sterling cash market, the overnight rate of lending rose as high as 7½ per cent, amidst difficulties removing a shortage that was forecast at the start of the day at £900m.

The Bank invited offers to tender for funds in an early round of trading. But it was not until the afternoon that some £355m worth of bills were offered. The Bank provided late assistance of £670m, which may contribute to a higher shortage today. Three month money closed a little higher at 5$\frac{31}{32}$ per cent with a spread of 5$\frac{15}{16}$ per cent on the bid side and 5⅞ per cent on the offered.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep 20) 3 months US dollars / 6 months US Dollars — bid 3⅛ offer 3¼ / bid 3¼ offer 3⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds; Lunchtime; Prime rate; Broker loan rate; Fed.funds; Fed.funds at intervention; Frankfurt; Paris; Zurich; Amsterdam; Tokyo; Milan; Brussels; Dublin

[illegible]

LONDON MONEY RATES

Interbank Offer; Interbank Bid; Sterling CDs; Local Authority Deps.; Local Authority Bonds; Discount Mkt Deps; Company Deposits; Finance House Deposits; Treasury Bills (Buy); Bank Bills (Buy); Fine Trade Bills (Buy); Dollar CDs; SDR Linked Dep. Offer; SDR Linked Dep. Bid; ECU Linked Dep. Offer; ECU Linked Dep. Bid

[illegible]

Treasury Bills (sell); one-month 5⅛ per cent; three months 5⅛ per cent; six months 5⅛ per cent. Bank Bills (sell); one-month 5⅜ per cent; three months 5⅜ per cent. Treasury Bills; Average tender rate of discount 5.1748 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August 31, 1993. Agreed rates for period Sep 26, 1993 to Oct 25, 1993 Scheme II & III 7.15 p.c. Reference rate for period July 31, 1993 to Aug 31, 1993, Scheme IV&V 5.598 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 6pc from September 1, 1993. Bank Deposit Rates for sums at 7 days notice 3½ p.c. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 3⅛ p.c.; one-three months 5¼ p.c.; three-six months 4¼ p.c.; six-nine months 4¼ p.c.; nine-twelve months 4¼ p.c.; Under £100,000 3⅛ p.c. from Jan 27, 1993. Deposits withdrawn for cash 1½ p.c.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES — Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr. Frequency at which interest is credited to the account.

WORLD STOCK MARKETS

AUSTRIA

September 20	Sch	+ or -
Austrian Airlines	1,880	+10
Bank Austria	1,000	-20
Creditanstalt Pf	742	+11
EA General	3,550	+30
EVN	1,113	+13
Lenzing	845	...
OeMV	770	+18
Perlmooser Zement	905	+5
Radex Heraklith	410	...
Steyr Daimler	188	-7
Veitscher Magnesit	305	+4
Verbund (Br) A	809	+4
Wiener Int Airport	484	+2
Wienerberger	3,565	+55

BELGIUM/LUXEMBOURG

September 20	Frs.	+ or -
AG Group	2,505	-10
Ackermans	3,280	+30
Almanij	7,700	...
Arbed	3,580	-20
BBL	3,825	-125
Bank Intl a Lux	15,500	...
Banq Gen Lux Pts	21,100	...
Banque Nat Belg	35,000	...
Bekaert	18,500	...
CBR Cement	11,075	-150
CMB	2,060	-45
Cobepa	4,970	-30
Cockerill Priv	128	+2
Colruyt	5,540	-170
Delhaize Frs Lion	1,100	...
Electrabel	5,880	-30

FRANCE (continued)

September 20	Frs.
BIC	1,294
BSN	888
BNP Cert Inv	544
Bancaire Cie	528
Bongrain	2,835
Bouygues	678
CSIP	1,238
Canal+	1,230
Cap Gemini S	211.80
CarnaudMetalbox	188.30
Carrefour	3,296
Casino	168.80
Chargeurs	1,100
Club Mediterranee	390
Coparex Int	559
C C F	243
Cr Fonc France	1,199
Cred Lyon (Ci)	696
Credit Local Fr	426
Credit National	655
Damart	5,050
Docks de France	820
Dollfus Mieg Cie	317
EBF	886
Eaux Cie Gen	2,583
Ecco	528
Elf Aquitaine	387
Elf Aquitaine Certs	347.80
Elf Sanofi	995
Eridania B-Say	788
Eridania B-Say Cf	680
Essilor Int	539
Eurafrance	2,250
Euro RSCG	2,000
Euro Disney	615

INDICES

NEW YORK

DOW JONES	Sep 17	Sep 16	Sep 15	Sep 14	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3613.25	3630.85	3633.65	3615.76	3652.09 (25/8)	3241.95 (20/1)	3652.09 (25/8/93)	41.22 (2/7/32)
Home Bonds	108.39	108.27	108.20	108.34	108.59 (13/9)	102.48 (11/1)	108.59 (13/9/93)	54.88 (1/10/81)
Transport	1621.08	1625.35	1624.29	1612.53	1683.08 (16/4)	1459.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	254.02	254.22	254.48	255.14	256.46 (31/8)	217.14 (8/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 3637.28 (3651.25) Low 3590.83 (3601.78) (Theoretical)
Day's High 3630.85 (3633.65) Low 3600.95 (3617.44) (Actual)

STANDARD AND POOR'S

	Sep 17	Sep 16	Sep 15	Sep 14	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	458.83	459.43	461.60	459.90	463.56 (31/8)	429.05 (8/1)	463.56 (31/8/93)	4.40 (1/6/32)
Industrials ¶	515.94	516.85	518.58	517.48	524.99 (10/9)	488.48 (26/4)	524.99 (10/9/93)	3.62 (21/6/32)
Financial	47.57	47.55	47.70	47.70	48.24 (10/9)	39.89 (8/1)	48.24 (10/9/93)	8.64 (1/10/74)
NYSE Composite	254.85	254.94	255.67	254.97	256.88 (31/8)	236.21 (8/1)	256.88 (31/8/93)	4.46 (28/4/42)
Amex Mkt. Value	452.81	453.66	453.74	452.76	461.57 (3/9)	395.84 (8/1)	461.57 (3/9/93)	29.31 (9/12/72)
NASDAQ Composite	740.11	739.80	739.55	732.64	748.71 (3/9)	645.87 (26/4)	748.71 (3/9/93)	54.87 (31/10/72)

	Sep 10	Sep 3	Aug 27	year ago (approx.)
Dow Industrial Div. Yield	2.81	2.80	2.80	3.12

	Sep 15	Sep 8	Sep 1	year ago (approx.)
S & P Industrial div. yield	2.47	2.49	2.45	2.83
S & P Indl. P/E ratio	27.84	27.57	28.07	27.77

TOKYO - Most Active Stocks

Monday, September 20, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nikkatsu	4.6m	23	-1	Nikko Sec	2.3m	1,200	-20
Nippon Steel	3.0m	350	-1	Sumitomo Mt Min	2.0m	899	-19
Hitachi	2.8m	808	-25	NEC	2.0m	935	-17
Mitsubishi Hvy	2.5m	678	-9	Fujitsu	1.9m	792	-6
Sumitomo Tr & Bk	2.5m	1,410	-20	Nippon Oil	1.9m	794	-15

4 pm close September 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.7	650	162	13¼	13	13	
29⅞	13¾	A L Labs A	0.18	1.0	36	163	18⅝	18¼	18⅜	-½
66⅛	54⅝	AMP Inc	1.60	2.5	23	1622	65½	65⅛	65¼	+⅛
72¾	55½	AMR			16	3448	64¾	63⅝	63⅝	-1
3½	1¾	ARX			12	284	3⅜	3¼	3¼	-⅛
51½	28⅞	ASA	2.00	4.8	27	516	42	41⅝	41⅝	+½
30¾	22⅝	Abbott Lab	0.68	2.6	16	7357	26½	25¾	25⅞	-⅝
12⅝	9¼	Abitibi Pr	0.50	5.5	4	20	9⅜	d9⅛	9⅛	-⅛
15¼	8¼	Acptncain			44	278	14⅛	14	14⅛	-⅛
36	25½	ACE Ltd	0.40	1.2		1980	33¾	33½	33½	
12	10¾	ACM Gvt In x	0.96	8.6		354	11⅛	11	11⅛	
10	9⅛	ACM GvOpp x	0.80	8.1		62	9⅞	9¾	9⅞	+⅛
9⅞	8¾	ACM Gvt Sp	0.80	8.5		231	9½	9⅜	9⅜	-⅛
11⅝	10½	ACM Gvt Se	0.96	8.7		635	11⅛	11	11	-⅛
11⅝	9⅝	ACM Man x	1.08	9.4		85	11½	11⅜	11½	
9⅞	8⅝	ACM Mategd x	0.72	7.8		129	d9⅜	9⅛	9¼	
12⅜	7¾	Acme Cleve	0.44	4.6	12	54	9¾	9½	9⅝	
9¼	6½	Acme Elect			50	23	7⅛	7⅛	7⅛	
27⅝	18⅝	Acordia	0.44	1.6	15	163	26⅞	26½	26⅞	-⅛
16	10⅜	Acuson			31	847	11⅜	11⅛	11⅜	+⅛
21¾	18	Adams Expr	0.48	2.6	0	459	18¾	d18⅜	18¾	-½
66¼	45½	Ad Micro	3.00	4.8		55	62	61	62	+1
32¾	17⅝	Ad Micro P	3.00	10.1	11	6954	30⅛	29⅜	29¾	+⅜
7¾	5½	Advest Grp	0.16	2.2	12	20	7⅛	7	7⅛	

Continued on next page

4 pm close September 20

NYSE COMPOSITE PRICES

Continued from previous page

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

NASDAQ NATIONAL MARKET

4 pm close September 20

- A -

- B -

- C -

- D -

- E -

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- J -

- K -

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- M -

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- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

AMEX COMPOSITE PRICES

4 pm close September 20

AMERICA

Dow regains a measure of composure

Wall Street

US SHARE prices traded in a narrow range on either side of opening values yesterday morning as the stock markets settled down after last Friday's expiry-related gyrations, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 4.75 at 3,608.50. The more broadly-based Standard & Poor's 500 was down 0.12 at 458.71, while the Amex composite was 0.77 lower at 452.04, and the Nasdaq composite up 3.44 at 743.55. NYSE volume was 123m shares by 1 pm.

After last Friday's session, when a frenzy of trading related to the "triple-witching" expiry of futures and options contracts sent volume soaring and prices plummeting, investors were glad to return to more normal trading patterns yesterday morning.

Although prices eased at the opening in what may have been a hangover from Friday, there was little selling pressure and, within a few minutes, the Dow had clawed back most of its initial losses. In the absence of fresh economic news, or a lead from the bond market where Treasury prices were also little changed, stocks remained in a narrow trading range all morning.

Analysts said that the lack of activity was partly a reflection of investors' caution ahead of several important events due later this week, including the meeting of the Federal Reserve's policy-making Open Market Committee and the official unveiling of President Clinton's healthcare reform package.

Among individual stocks, Paramount Communications climbed another $1 to $69¾ in volume of 1.7m shares as speculation mounted that a rival bid to Viacom's $8.2bn offer for the entertainment group may soon emerge. Over the weekend, reports emerged claiming that Turner Broadcasting and the home-shopping network, QVC, were considering bidding for Paramount, possibly in a joint deal, while rumours also suggested that Blockbuster Entertainment or the German media group, Berteslmann, might enter the fray.

Nike slumped $2 to $46, a new 52-week low, in heavy trading after the sports shoemaker announced a drop in fiscal first quarter earnings and warned that because of the sluggish US and international economies it did not expect full-year 1994 earnings will match the record results of 1993.

National Health Laboratories fell $1⅛ to $15⅛ in volume of 2.2m shares after the company admitted that it had received a subpoena from the government, which is again investigating its billing practices.

Goodyear Tire & Rubber rose $¼ to $45⅝ after the brokerage house, Smith Barney Shearson, upgraded its rating on the stock from "neutral" to "buy".

On the Nasdaq market, Centocor rose $1⅛ to $10½ in busy trading as investors reacted to the news that the company is forming an oncology alliance with the UK group, Wellcome, to market anti-cancer agents.

Canada

TORONTO gave up a modest advance by midday as weakness in transport and financial services stocks offset a firm showing by precious metals issues. The TSE 300 composite index slipped 8.25 to 3,970.06 at noon in turnover of C$308.1m.

SOUTH AFRICA

JOHANNESBURG was weaker overall, with De Beers off R.50 at R78 and Anglos down R1.50 at R129.50. The gold shares index shed 10 to 1,638, industrials 19 to 4,501 and the overall index 17 to 3,831. Kloof lost 50 cents to R44.50.

EUROPE

Traders take initiative as Frankfurt rises 1.6%

THERE WAS some talk that a firm dollar early in the day gave bourses a good start, but most centres had their own story to tell, *writes Our Markets Staff.*

FRANKFURT extended Friday's rally, the DAX index rising 30.85, or 1.6 per cent, to 1,912.84 on the session and by another 10 points in the post bourse.

Following the relaxed line taken last week by Mr Helmut Schlesinger, the retiring Bundesbank president, there were hopes of lower repo rates this week after the upcoming M3 and inflation indications. However, Mr Jens Wiecking of Merck Finck in Düsseldorf said that this was a traders' market. "Investor interest was rather weak," he said.

Turnover fell from DM12.5bn to DM7.8bn. Daimler, which disclosed big losses last Friday, once again led the rally, putting on DM24.50 to DM746 in the official session and climbing further in the London afternoon. Having been told that the September quarter is going to be no better for Daimler, traders were saying that all the bad news was now in the price – which has risen from DM610 in the past three months.

PARIS closed moderately higher, erasing midsession losses. The CAC-40 index ended up 7.86 at 2,107.36 in turnover of some FFr2.9bn.

With the publication yesterday of the preliminary prospectus for the privatisation of BNP, the bank's investment certificates shed FFr18 to FFr544. The government has said that the privatisation process will be completed by December 20 at the latest.

Michelin lost FFr2.2 to FFr177.3 ahead of today's interim results. The consensus is that the tyre manufacturer will release a substantial first half loss. Mr Christopher de Mattos at Hoare Govett said: "excluding restructuring provisions we are forecasting a loss of FFr600m for the period. The size of restructuring provisions is far from clear, but the company is laying off at least 10,000 workers over the 1993 and 1994 financial years, possibly leading to provisions of FFr2bn to FFr3bn this year. In spite of this poor short term outlook, we remain positive on the share for the longer term".

Elsewhere in the automotive sector Valeo rose FFr29 to FFr1,056, but off the day's high of FFr1,090, believed to have been the result of a buy recommendation.

AMSTERDAM was driven mainly by options trading which lifted the CBS Tendency index by 1.4 to 125.4.

With the major companies now having released interim results the main news this week will come from the release of the budget, expected today. "With a general election scheduled for May 1994," said UBS in London, "the government is more likely to accept some modest overshooting of budget targets, rather than proposing more spending cuts".

ZURICH took advantage of a firm local currency to advance 1.4 per cent, with banks and insurance in the van. The SMI index rose 33.2 to 2,418.4, Zurich Insurance adding SFr26 to SFr1,202 in continued response to last Friday's half-year figures and UBS, in strong demand, rising SFr22 to SFr1,180.

Georg Fischer, the engineering group, fell 2.9 per cent in immediate response to its forecast of a worse than expected loss of up to SFr50m for the full year. However, the shares ended just SFr11 easier at SFr885 after the group said it expected to break even in 1994.

Bearer shares in SMH, the watchmaker, which were under pressure last week, picked up to finish SFr40 higher at SFr1,085. Jelmoli, the retail group, surged SFr60 or 8.2 per cent to SFr790. Hoare Govett, which has recommended the share, has forecast doubled earnings in 1994.

MADRID rose on both technical and fundamental grounds, said FG, the brokers, derivatives traders buying baskets of equities as they sold futures at a premium, and banks gaining as the Bank of Spain lowered their reserve requirements.

The general index closed 3.85 higher at 288.85 in turnover estimated at Pta17.8bn. Bankinter and BBV led the banking sector with gains of Pta350 to Pta10,500, and Pta80 to Pta3,500 respectively.

MILAN edged lower, the Comit index losing 5.30 at 590.85. Insurers were an exception following the start of Allebanza's rights issue last Thursday. Allianza rose L364 to L16,996, while Generali added L280 to L39,800.

Ferruzzi remained volatile, opening limit down before bouncing back to close L26.50 higher at L291.50 in highly speculative trade as investors decided that the 10 per cent declines seen in each of the six previous trading sessions had been overdone.

BRUSSELS fell back, with the Bel-20 index dropping below the 1,300 level for the first time since early July. The index ended off 10.82 at 1,290.84 in turnover of BFr1.25bn on the last day of the account.

ISTANBUL lost 2.4 per cent on profit-taking after an early rally had carried the market to an all-time high at midsession. The composite index closed down 333.3 at 14,126.5 in turnover of TL1,600bn.

WARSAW plunged after a strong showing by left-wing parties in Sunday's elections, the WIG index falling 443, or 6.3 per cent to 6,611.7.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

September 20 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1269.99	1271.40	1273.25	1274.36	1274.85	1274.86	1276.40	1278.06
FT-SE Eurotrack 200	1345.63	1348.13	1348.92	1348.29	1348.24	1349.26	1348.72	1351.78

	Sep 17	Sep 16	Sep 15	Sep 14	Sep 13
FT-SE Eurotrack 100	1265.02	1257.07	1260.47	1279.94	1276.64
FT-SE Eurotrack 200	1343.80	1335.87	1337.35	1357.12	1351.64

Base value 1000 (26/10/90) High/day: 100 - 1278.11; 200 - 1395.42 Low/day: 100 - 1269.71 200 - 1345.26.

ASIA PACIFIC

Nikkei in fourth consecutive decline on profit-taking

Tokyo

PROFIT-TAKING ahead of the September book closing overwhelmed expectations of an imminent cut in the official discount rate, *writes Emiko Terazono in Tokyo.*

The Nikkei average fell for the fourth consecutive day, losing 125.01 to 20,266.03. The index was supported by public fund buying but faced profit-taking from financial institutions and fluctuated between 20,211.52 and 20,407.54.

Volume came to 220m shares, against 293m, remaining below 300m for the third trading day in a row. Declines led advances by 696 to 288, with 186 issues unchanged. The Topix index of all first section stocks shed 12.44 to 1,638.90 and, in London, the ISE/Nikkei 50 index eased 1.00 to 1,253.19.

Speculation that the Bank of Japan would lower interest rates today failed to stimulate demand; a cut of 50 basis points had been discounted into share prices by the end of last week.

Institutions, looking to realise profits ahead of the end of September, are expected to remain leading sellers for the remainder of this week. Foreign investors were also seen liquidating arbitrage-linked positions.

Stocks which were bought on margin during the rally in April were sold as some individuals faced margin calls. Nippon Telegraph and Telephone fell Y19,000 to Y867,000, posting its fifth consecutive decline.

Other issues related to telecom infrastructure investments were also lower, with cable and wiremakers prominent. Fujikura weakened Y16 to Y876 and Mitsubishi Cable Industries Y15 to Y835.

Steels and shipbuilders were also hit by profit-taking: Nippon Steel lost Y1 to Y330, Kawasaki Steel Y3 to Y323 and Mitsubishi Heavy Industries Y9 to Y676.

Meanwhile, biotechnology issues were higher ahead of a spate of medical and academic meetings. Takeda Chemical rose Y30 to Y1,330 and Yamanouchi Pharmaceutical gained Y10 at Y2,450.

In Osaka, the OSE average dipped 116.04 to 22,383.49 in volume of 46.3m shares.

Roundup

WITH South Korea as a speculative exception, gentle declines seemed to be the order of the day around a relatively subdued Pacific Rim.

HONG KONG lost ground but recovered from a fall of 100 points seen in early trading. The Hang Seng index was finally 27.51 off at 7,390.60 in turnover of HK$3bn. The market was closed on Friday because of a severe tropical storm.

Hang Seng Bank fell HK$1 to HK$51.50 while Hutchison shed 20 cents to HK$22.90 in active trading. Allied Group made a strong recovery to HK$1.02, up 6 cents, following the release on Saturday of the results of a 13-month investigation into alleged corporate fraud. Allied Properties improved 3 cents to HK$1.32.

SINGAPORE closed lower on profit-taking, although brokers said they expected prices to stay mixed in the near term, supported by the prospect of enhanced market liquidity.

The Straits Times Industrial index receded 10.01 to 1,998.37. Volume totalled 367.4m shares, down from 457.3m.

SEOUL finished higher on expectations of a government announcement cushioning the side-effects of last month's ban on false-name financial trading. The composite index added 9.18 at 695.12 in turnover of Won280.9bn, against Won134.2bn registered in Saturday's half-day trade.

Ssangyong Motor and Poongsan ended the day's limit up, both gaining Won600 at Won14,900 and Won15,200 respectively.

TAIWAN was lower on profit-taking after two days of gains, following the central bank's easing of credit limits last week. The weighted index slipped a net 25.59 to 3,927.81, after an intraday high of 3,971. Turnover was T$19.3bn.

Construction shares were relatively strong, with Ever Fortune limit up at T$67.50.

AUSTRALIA was easier in quiet trading, with BHP shedding 20 cents to A$15.76 following last Friday's first-quarter results. The All Ordinaries index lost 1.4 to 1,924.1.

BANGKOK's SET index pierced the 1,000 level on buying of second-liners and new issues in the morning, but profit-taking pared the gains and the index finished 1.21 down on the day at 997.01.

Analysts talked of a period of consolidation before a further sustained climb; investors were worried because Prime Minister Chuan Leekpai had still not announced his new cabinet line-up after dropping the Social Action party from the ruling coalition last week.

NEW ZEALAND was easier but off the day's lows in thin erratic trade. The NZSE-40 capital index lost 7.30 at 1,937.93.

MANILA ended lower, with a fall by PLDT on Wall Street triggering a long-awaited consolidation that broke last Friday's strong rally. The composite index fell 28.4, or 1.4 per cent, to 1,967.97.

PLDT shed 15 pesos to 1,360 pesos after a $1 fall to $48⅝ on Wall Street.

World Index remains on a downtrend

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	-1.55	-2.80	+18.37	+22.57	+21.29	+22.93
Belgium	-1.05	-3.40	+18.26	+16.96	+11.38	+12.89
Denmark	-1.05	-2.67	+31.31	+29.53	+22.25	+23.90
Finland	-3.07	-7.99	+143.03	+69.49	+51.65	+53.71
France	-0.32	-0.92	+16.50	+16.54	+13.09	+14.62
Germany	+1.08	-2.04	+19.09	+21.55	+20.68	+22.32
Ireland	-2.28	-4.64	+38.62	+39.03	+21.80	+23.44
Italy	-0.47	-5.29	+81.35	+43.51	+34.08	+35.88
Netherlands	-0.92	-2.53	+21.44	+20.13	+19.20	+20.82
Norway	+1.12	-3.78	+43.25	+28.17	+24.58	+26.26
Spain	-1.07	-2.55	+38.83	+33.22	+16.63	+18.21
Sweden	-0.67	-2.48	+59.49	+26.40	+10.36	+11.85
Switzerland	+0.85	-3.39	+25.92	+16.31	+20.08	+21.71
UK	-1.08	-1.75	+25.15	+7.53	+7.53	+8.98
EUROPE	-0.48	-2.24	+26.49	+16.11	+13.97	+15.52
Australia	-0.62	+0.11	+22.38	19.40	+11.97	+13.48
Hong Kong	-2.86	-1.91	+25.79	+32.17	+30.58	+32.35
Japan	-1.61	-0.83	+20.82	+24.90	+47.45	+49.44
Malaysia	+0.70	+5.94	+68.86	+48.98	+50.86	+52.90
New Zealand	-1.85	-3.80	+37.66	+30.58	+38.33	+40.22
Singapore	+0.71	+1.95	+54.78	+32.08	+33.95	+35.77
Canada	-0.52	-2.70	+8.44	+10.59	+5.58	+7.01
USA	-0.56	+0.51	+9.57	+5.33	+3.93	+5.33
Mexico	-3.94	-1.24	+36.47	+2.14	+1.14	+2.51
South Africa	+0.64	-5.33	+23.77	+21.74	+26.22	+27.93
WORLD INDEX	-0.91	-0.63	+17.86	+14.28	+18.56	+20.17

† Based on September 17th 1993. Copyright, The Financial Times Limited, Goldman Sachs & Co, and NatWest Securities Limited.

By William Cochrane

In the five days to last Friday, the FT-Actuaries World Index registered precisely the same decline – 0.91 per cent – as it did in the week before. The way it got there changed marginally, with the US going into decline after a miniscule rise in the week before.

Japan had an eventful time. Tokyo's Nikkei average opened the week with a 1.6 per cent gain and a new 1993 high on hopes of a discount rate cut and additional fiscal measures to support the economy. But then the market had second thoughts, and ran into pessimism in the back half of the week about the effects of the new government's economic package.

"Not only did the government's fiscal package fail to live up to expectations, depressing the outlook for the domestic economy," said James Capel, the London stockbrokers, "but the second quarter GNP data revealed the extent to which exporters are suffering from the massive overvaluation of the yen and weakness in key export markets."

Nomura's global strategy team, headed by Mr Nicholas Knight, agreed with Capel on the Tokyo package and said that Japan and continental Europe were the most vulnerable equity markets.

The remarkable performance in Europe was the gain in Germany, all of it last Friday as Daimler showed that getting a US quote had its disadvantages – to wit, the lifting of the corporate curtain which German companies, by the release of previous years' provisions, can draw over a bad year's losses.

Mr James Cornish, a strategist at NatWest Securities, said that analysts were beginning to take the view that most of the bad news about Germany had appeared already. Additionally, he said, there was a view that west German inflation and M3 figures, due this week, will allow the Bundesbank to make a more acceptable reduction in repo rates.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY SEPTEMBER 17 1993								THURSDAY SEPTEMBER 16 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	141.98	+1.6	137.16	93.65	118.81	144.48	+1.3	3.56	139.73	135.09	92.21	116.70	142.68	148.84	117.39	131.17
Austria (17)	172.30	+0.7	166.47	113.65	144.18	143.89	+0.7	1.08	171.16	165.48	112.96	142.96	142.88	180.43	131.16	160.00
Belgium (42)	150.40	−1.0	145.31	99.20	125.85	127.77	−0.4	4.49	151.89	146.85	100.23	126.86	128.29	156.76	131.19	141.94
Canada (107)	123.75	−0.4	119.56	81.62	103.54	117.74	−0.4	2.86	124.30	120.17	82.02	103.81	118.27	130.38	111.41	125.60
Denmark (32)	230.61	−0.3	222.81	152.11	192.97	205.75	−0.4	1.10	231.40	223.72	152.71	193.27	206.54	232.42	185.11	201.17
Finland (23)	107.00	+0.1	103.38	70.58	89.54	129.51	+0.0	0.81	106.84	103.29	70.51	89.24	129.54	118.56	65.50	54.65
France (97)	168.70	+0.7	162.99	111.27	141.15	148.65	+0.9	3.10	167.51	161.94	110.53	139.89	147.34	171.89	142.72	160.67
Germany (60)	127.26	+1.1	122.95	83.95	106.48	106.48	+1.3	1.97	125.87	121.69	83.08	105.13	105.13	128.77	101.59	115.54
Hong Kong (55)	293.23	+0.0	283.31	193.42	245.38	291.06	+0.0	3.42	293.23	283.49	193.51	244.92	291.06	302.14	218.82	235.26
Ireland (14)	167.61	−0.7	161.94	110.56	140.25	163.89	−0.4	3.42	168.86	163.26	111.44	141.04	164.55	173.06	129.28	149.00
Italy (70)	74.56	+0.1	72.04	49.18	62.39	86.65	+0.2	1.87	74.50	72.03	49.16	62.22	86.48	78.93	53.78	52.53
Japan (470)	156.96	−0.3	151.65	103.53	131.36	103.53	−0.3	0.80	157.42	152.19	103.89	131.50	103.89	165.91	100.75	108.66
Malaysia (69)	399.78	+0.6	386.25	263.69	334.51	392.39	+0.6	1.76	397.54	384.35	262.34	332.03	389.89	410.47	251.66	240.41
Mexico (19)	1689.20	+0.0	1632.06	1114.22	1413.48	5741.96	+0.0	0.86	1689.20	1633.12	1114.75	1410.85	5741.96	1771.56	1410.30	1236.97
Netherland (24)	182.92	−0.2	176.73	120.66	153.07	150.99	+0.1	3.63	183.24	177.16	120.93	153.05	150.88	187.18	150.39	162.49
New Zealand (13)	60.14	−1.3	58.10	39.67	50.32	57.86	−1.2	3.85	60.93	58.90	40.21	50.89	58.57	62.98	40.56	42.75
Norway (22)	173.87	+0.3	167.99	114.69	145.50	165.73	+0.5	1.59	173.37	167.61	114.41	144.80	164.84	177.44	137.71	146.10
Singapore (38)	289.68	+0.2	279.88	191.08	242.39	213.05	+0.2	1.62	289.06	279.46	190.76	241.42	212.53	290.53	207.04	185.05
South Africa (60)	189.46	+0.9	183.05	124.97	158.53	191.31	−0.3	2.74	187.78	181.55	123.92	156.84	191.86	215.29	144.72	175.03
Spain (43)	137.84	+0.3	133.18	90.93	115.34	134.82	+0.6	4.23	137.44	132.88	90.70	114.79	133.95	140.97	115.23	125.45
Sweden (36)	185.16	−0.1	178.92	122.15	154.96	219.11	+0.5	1.54	185.33	179.18	122.31	154.80	217.98	196.23	149.70	171.43
Switzerland (50)	137.54	+0.5	132.88	90.73	115.10	119.42	+0.4	1.82	136.91	132.36	90.36	114.36	119.00	138.04	108.91	117.23
United Kingdom (218)	187.84	+0.1	181.49	123.89	157.17	181.49	+0.1	3.93	187.57	181.34	123.77	156.65	181.34	191.70	162.00	176.25
USA (520)	187.59	−0.1	181.25	123.75	156.98	187.59	−0.1	2.73	187.80	181.56	123.94	156.86	187.80	189.40	175.38	172.29
Europe (748)	157.12	+0.3	151.80	103.64	131.48	144.96	+0.4	3.11	156.62	151.42	103.36	130.82	144.38	159.39	133.92	142.81
Nordic (113)	176.66	−0.1	170.68	116.53	147.82	181.45	+0.2	1.35	176.82	170.95	116.69	147.68	181.02	183.23	142.13	154.51
Pacific Basin (714)	161.03	−0.2	155.58	106.22	134.75	110.89	−0.2	1.06	161.33	155.98	106.47	134.75	111.16	168.80	105.89	113.24
Euro-Pacific (1462)	159.31	+0.0	153.92	105.07	133.30	124.85	+0.0	1.89	159.29	154.00	105.11	133.03	124.83	162.86	117.26	125.20
North America (627)	183.63	−0.1	177.42	121.14	153.68	182.86	−0.1	2.74	183.85	177.75	121.34	153.58	183.08	185.59	171.51	169.37
Europe Ex. UK (530)	137.60	+0.4	132.94	90.78	115.16	123.79	+0.8	2.56	137.01	132.46	90.43	114.46	123.03	139.50	112.51	122.44
Pacific Ex. Japan (244)	201.34	+0.6	194.53	132.83	168.50	187.60	+0.5	3.04	200.23	193.69	132.16	167.25	186.72	205.61	152.70	158.23
World Ex. US (1648)	159.35	+0.0	153.96	105.12	133.34	128.79	+0.0	1.92	159.33	154.04	105.15	133.08	126.79	162.89	118.51	126.37
World Ex. UK (1950)	165.81	+0.0	160.20	109.38	138.76	142.02	−0.1	2.04	165.90	160.39	109.49	138.57	142.09	168.50	134.22	137.54
World Ex. So. Af. (2108)	167.74	+0.0	162.06	110.65	140.37	145.18	+0.0	2.22	167.80	162.23	110.75	140.16	145.24	170.43	137.29	140.76
World Ex. Japan (1698)	175.51	+0.1	169.57	115.78	146.88	169.36	+0.1	2.87	175.35	169.53	115.73	146.48	169.20	177.11	157.47	159.27
The World Index (2168)	167.76	+0.0	162.08	110.66	140.39	145.61	+0.0	2.22	167.81	162.24	110.75	140.17	145.66	170.42	137.32	140.90

CONSTITUENT CHANGES: At the recent quarterly panel meeting of The FT-Actuaries World Indices, it was decided to make the following changes: Addition: Schibsted (Norway). Deletion: Bodegas Y Bebidas (Spain). All changes are effective October 1 1993. Latest prices were unavailable for this edition.